

Austria	3200	Italy	10400	Poland	10400
Belgium	10400	Japan	10400	Portugal	10400
Denmark	10400	Korea	10400	Spain	10400
France	10400	Lebanon	10400	Sweden	10400
Germany	10400	Luxembourg	10400	Switzerland	10400
Greece	10400	Netherlands	10400	Turkey	10400
Hungary	10400	Norway	10400	USA	10400
Ireland	10400	Poland	10400	West Germany	10400
Israel	10400	Portugal	10400	Yugoslavia	10400
Italy	10400	Spain	10400		

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

TECHNOLOGY

A second glimpse into the future

Page 12

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Thursday March 14 1991

World News Business Summary

Kohl wants Emu and political union to coincide

Germany will sign a European treaty on economic and monetary union (Emu) only if the equivalent political union treaty is ready to be signed at the same time, Chancellor Helmut Kohl said. Page 20

Unrest in Baghdad

Protesters took to the streets of Baghdad as evidence mounted that President Saddam Hussein's army is failing to quell the uprising against his regime, the US State Department said. Page 20

Syria presses US

Syria urged the US to exert much stronger pressure on Israel to abide by United Nations Security Council resolutions calling for its withdrawal from Arab lands occupied in the 1967 war. Page 2

ANC 'outraged'

The African National Congress condemned the South African government's legislation on land reform, saying it was "outraged" by Pretoria's refusal to return land to blacks forcibly evicted under apartheid. Page 2

10 die in road crash

At least 10 people died and 25 were injured as a fire swept through a 30-vehicle pile up on the M4 motorway between London and western England. Page 8

Acid rain pact

The US and Canada signed an air quality pact, offering new hope that life may revive in 31,000 Canadian lakes "killed" by acid rain.

Rail strike threat

Argentina's government has threatened to sack striking railway workers unless they lift a month-long strike within 24 hours. Page 3

Police chief quits

Bolivia's chief of police Felipe Cervantes has resigned, a week after allegations in a US newspaper linked him to drug traffickers.

US litters Pacific

American waste exporters are approaching remote Pacific islands to accept potentially hazardous garbage from the United States, the environmental organisation Greenpeace says in a report.

Salvador truce ends

Left-wing Salvadoran rebels, ending a three-day election truce, shot down a helicopter gunship with a ground-to-air missile, killing two pilots and a gunner, the military said.

Indian poll move

India's President Ramaswamy Venkataraman announced the dissolution of parliament as the first step before calling an early general election, Indian news agencies said.

Aids blood award

A six-year-old Australian girl who caught Aids from a blood transfusion soon after birth won A\$300,000 (\$200,000) in compensation from the Red Cross and the hospital.

Ethiopia rebel claim

Ethiopian rebels said they had killed or wounded 3,000 government troops trying to recapture the north-western Gogjam province.

Mrs Mandela accused

A second prosecution witness at the trial of Winnie Mandela said she beat and whipped him and three other black activists until they bled. Page 2

Hypersonic jet plan

US space and defence officials told Congress that a decision could be made as early as 1993 on whether to build a hypersonic aeroplane, which could be flying by 1998. The aircraft would be able to fly from New York to Tokyo in less than three hours, a trip which now takes more than 12 hours.

Swiss Bank Corporation profits drop by 12.5%

Swiss Bank Corporation (SBC) reported the best 1990 performance of the big three Swiss banks when it disclosed a 12.5 per cent decline to SF830m (\$603m) in consolidated net earnings and announced an unchanged dividend.

Union Bank of Switzerland had previously posted a 13.5 per cent decline in net profit at the group level and Credit Suisse has disclosed a 31 per cent decline. Page 21

MARKETS: In Frankfurt the DAX index ended 29.42, or 1.9 per cent, lower at 1,542.19 after a lowered earnings forecast for Siemens unsettled the market. Paris eased for the fourth day with the CAC 40 index losing 14.31 to 1,781.17. In New York, US equities broke out of their recent depression to post modest gains by mid-session. At 2pm the Dow Jones Industrial Average was up 10.65 at 2,933.17 on unexceptional volume. In Tokyo the decline on Wall Street and the weaker yen prompted selling by foreign investors which pushed the Nikkei average down 309.10 to 26,418.32. World Stock Market reports, Back page, Section II

PETROLEOS Mexicanos (Pemex), Mexico's state-owned oil company, signed an agreement with 70 creditor banks on a \$2.5bn, two-year financing to support the country's exports of crude oil and oil products. The loan, arranged by Bank of America, could be extended for a third year.

EXXON, largest US oil company, agreed to pay between \$1bn and \$1.1bn to settle civil and criminal cases arising from the Exxon Valdez oil spill off the Alaskan coast, the worst environmental disaster in US history. Page 3

US taxpayers face a bill of \$8m a day after the House of Representatives rejected four different ways of providing extra funds to keep the savings and loan rescue going. Page 3

UKRAINE: six blast furnaces at steel plants in the south of this Soviet republic closed because of shortages of coking coal caused by the Soviet miners' strike. Page 20

SOVIET government plans the country's first currency exchange at the end of March in a limited move to build a currency market. Page 4

TEENAGE Mutant Ninja Turtles manufacturer Playmates International Holdings of Hong Kong posted after-tax profits up 630 per cent last year to HK\$1.22bn (\$153m) from HK\$196.7m. Page 21

ESTONIA is to adopt more liberal legislation to encourage foreign investment because of the deterioration in the Soviet economy and the military clampdown in the other Baltic states of Lithuania and Latvia. Foreign investment could reach up to \$400m this year. Page 6

NORSE Skogindustrier of Norway, one of Scandinavia's largest pulp and paper producers, announced a dip in preliminary 1990 net profits to Nkr1.110bn (\$150m) from Nkr1.110bn in 1989. Page 22

MICROSOFT, world's largest supplier of personal computer software, said it was co-operating with the US Federal Trade Commission in an investigation of its competitive practices. Page 24

KAWASAKI Steel Corporation and Furukawa Electric Company agreed on a Japanese joint venture to research, develop, produce and sell aluminium sheets for use in automobiles, a Furukawa spokesman said. Page 23

SAPPORO Breweries, Japanese brewing group, posted a 3.9 per cent fall in consolidated pre-tax earnings for 1990 to Y8.53bn (\$61.8m) from Y8.87bn in year earlier. Page 23

Pirelli claims defeat of voting curb evidence of merger support

Continental shareholders remove barrier to predators

By Andrew Fisher in Hanover

CONTINENTAL, the German tyre maker, last night suffered a heavy defeat in its attempt to maintain a protective curb on voting rights, at a shareholders' meeting to discuss the controversial merger approach from Pirelli.

The Italian tyre and cable company claimed that the removal of this barrier - which restricts voting rights to 5 per cent, regardless of the number of shares held - demonstrated significant support for talks on the merger, following Continental's rejection two months ago.

However, Continental repeated at the meeting that it was determined to remain independent. The company said that the rejection of the voting limit should not be taken as support for a merger.

The 10-hour meeting attended by more than 2,000 people was a marked change from the usually discreet way in which corporate affairs are conducted in Germany. The merger arguments have been carried out in full public view, a departure in the conduct of takeover in the country.

Mr Horst Urban, the chief executive, argued in the 10

hour meeting that in the absence of adequate takeover regulations in Germany, the voting limit was a necessary barrier against predators. Its overthrow at a shareholders' meeting was unprecedented.

Mr Leopoldo Pirelli, chairman of Pirelli, said after the vote that shareholders indicated support for his company's position in spite of the Continental board's recommendation.

"We believe that negotiations are the best way to achieve a mutually agreeable solution," Mr Pirelli said. The Italian company has insisted that its approach is friendly, but the German group has termed it hostile. Mr Urban earlier in the meeting repeated the risks and disadvantages of a merger far outweigh the possible advantages.

But Mr Gert Silber-Bornz, chief executive of Pirelli's German unit, said after the meeting that shareholders' approval of the voting rights curbs was an important sign of how favourably the shareholders view our project.

Before the meeting concern about job cuts in the event of a merger was expressed by Continental workers assembled outside Hanover's Congress Centre. Pirelli denied that a merger would lead to job losses.

There was little of the excitement or spontaneity which can enliven shareholders' meetings in the UK or US.

The meeting was held at the initiative of Mr Alberto Vicari, a small shareholder in Continental. Pirelli, which claims the support of holders of more than 51 per cent of the shares, including its own 5 per cent holding, threw its weight behind the resolution to overthrow the voting curbs, which needed a simple majority.

But it abstained on the motion, requiring 76 per cent support, that Continental should prepare merger proposals for the July annual meeting, and the motion failed.

Continental claimed this as a victory, stating "a merger with Pirelli was rejected by an overwhelming majority." Pirelli abstained from the motion on a merger because it said it wanted to achieve its objectives by negotiation. However, it was clear that Pirelli would not be able to muster the necessary majority.

Officials of Morgan Grenfell, the UK merchant bank (owned by Deutsche Bank) advising Continental, disputed that Pirelli was heavily supported by allied shareholders. It said no more than 25 per cent of Continental's shareholders were likely to back the Italian company. The bank estimated a similar level of corporate and institutional support for Continental.

Both sides have claimed that Allianz, the big German insurance group which owns 5 per cent of Continental, is on their side. Allianz has made no comment. German car companies have come out in support of Continental, as has Deutsche Bank, with a 5 per cent stake.



Continental's supervisory board chairman Ulrich Weiss (left) discusses the Pirelli bid with chief executive Horst Urban

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Paris Club may write off half Poland's debt

By Stephen Fidler in London and Christopher Bobinski in Warsaw

WESTERN governments are proposing, in effect, to write off half of Poland's \$33bn official debt under an accord which is on the verge of agreement.

According to officials close to the talks, such an agreement would provide the most generous debt relief ever accorded to a debtor country by creditor governments which, grouped together, are known as the Paris Club.

The agreement would concentrate the relief in the first three years when Poland's debt interest payments would drop by 70-80 per cent, the officials said.

Poland owes more than \$33bn to foreign governments, accounting for three-quarters of its hard currency foreign debt. The government has asked foreign governments and banks for a write-off of 80 per cent of its debt.

The proposed agreement was being discussed yesterday in Paris by a working group of creditor governments. The group will meet Polish officials today. The main principles of the accord were agreed last weekend at a meeting in Paris of senior finance officials of the Group of Seven industrialised countries - the US, Britain, Canada, France, Germany, Italy and Japan.

The accord is a compromise which overcomes the main objections by Japan and Germany to outright debt forgiveness. Some Paris Club governments not in the G-7, such as Australia, are still said to be wary of such an accord.

A debt agreement, which the US has been eager to secure ahead of a visit by President Lech Walesa of Poland to Washington at the end of the month, is meant to send a strong signal of support for the Polish economic reform programme. The deterioration of the economy in the neighbouring Soviet Union has increased determination to aid Poland.

The officials said that the agreement would provide relief in two steps, the second after the end of the third year, which "taken together would reduce the net present value of the debt by 50 per cent. Creditor countries would be able to choose one of three ways of doing this. They could choose to lower the face value of the debt, or to lower interest payments, or to cut interest payments and to capitalise the remainder of the interest."

They said a similar two-step approach would quite probably be taken for Egypt: the other main candidate for debt relief from creditor governments. It has strong US backing for debt relief because of its backing for the US-led coalition against Iraq.

Granting of debt relief to Poland will depend on an agreement with the International Monetary Fund on a three-year economic programme for Poland, which will accompany a loan for about \$1.7bn. The Council of Ministers is due today finally to agree the text of a letter of intent on such an agreement to the fund's board.

Poland has told the IMF it intends to have half the economy in private hands by 1993, when annual inflation should be down to a single figure. Unemployment this year could reach 2m while the economy is expected to grow by 3 per cent and between 5 and 7 per cent in 1992 and 1993.

Poland has also assured the IMF that the government is ready to further tighten wage controls should inflation threaten to rise much above the 22 per cent mark predicted for 1991. Foreign trade turnover is expected to grow at between 6 to 10 per cent a year with around a \$1bn deficit on the goods and services balance in 1991.

Poland's foreign bank creditors, led by Barclays Bank of the UK, were yesterday meeting in Paris. Talks on a restructuring of Poland's more than \$10bn in bank debt have been making slow progress, partly because the two sides have not been able to agree on the treatment of unpaid interest arrears.

Two years ago a network of distributors in Italy was raided by police. But Caterpillar was frustrated at the lack of progress in cracking the network which was eating into its spare parts sales, in particular in Third World markets, as well as damaging its reputation for quality.

Mr Ames says: "There appears to be a closely-knit international network which handles the distribution of these fake parts. To beat it we had to get inside it." Early in 1989, Caterpillar hired Carran International, a firm of corporate investigators, to do just that.

The trail which led to Houston began in the backstreets of Monrovia, the capital of strife-torn Liberia, and in Nigeria. Continued on Page 20

Marshals close in on trail of fake Caterpillar traders

By Charles Leadbeater, Industrial Editor, in London

THE US marshals burst into the Houston warehouse just as a team of immigrant workers were applying the finishing touches to a large crate.

The yellow paint was still wet and the labels had only just been stuck on. The contents of the crate were not the stuff that international counterfeiting gangs are supposed to trade in. There were no imitation Gucci shoes or fake perfumes, just a motor vehicle collection of spare parts for bulldozers, pistons, con rods, fuel injection nozzles.

Yet what the marshals had pounced on was one of the centres of a worldwide counterfeit network stretching from Britain which has been costing Caterpillar the US earth moving group millions of dollars a year.

The raid on February 27 was a sting set up by a team of private investigators who have spent two years travelling across three continents to track down and infiltrate the counterfeiting ring.

For Caterpillar, the world leader in earth moving equipment, the raid may mark the culmination of a six-year campaign to eliminate spare part counterfeiters which have plagued it throughout the world. A significant proportion of its \$11bn sales come from spare parts.

Mr Ames, a Caterpillar attorney based in Geneva, says large quantities of cheap counterfeit spare parts surfaced first in Iran in 1985 before seeping into the rest of the Middle East and the Soviet Union.

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US retail sales rise in February after motor industry recovery

By Michael Prowse in Washington

US RETAIL sales rose in February for the first time in four months, offering tentative evidence that consumer spending may be beginning to recover. However, February's rise was accompanied by sharp reversions downwards for the previous two months.

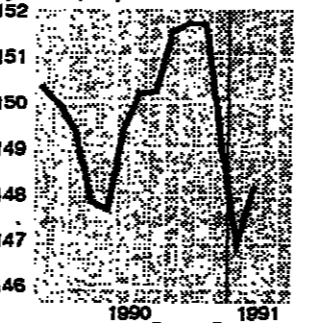
Cautious optimism about economic trends was repeated yesterday by Mr Alan Greenspan, the Federal Reserve chairman. Testifying before the Joint Economic Committee of Congress, he said there were signs of a "very small rise in lending in recent weeks".

Money supply growth was also moving back towards the midpoint of the Fed's target range. The Fed's latest report on regional economic trends - the "beige book" - was also mildly encouraging, reporting that "economic activity remained soft in much of the nation but there were some indications that the decline may be slowing".

The Commerce Department said seasonally-adjusted retail sales rose 0.8 per cent in cash terms last month to \$148.1bn.

US retail sales

by value (\$bn)



The increase, which reflected a recovery in car sales, was roughly twice as large as most analysts had expected.

The news was encouraging following last week's employment figures for February which showed no let up in the rate of loss of industrial jobs and a big jump in the unemployment rate to 6.5 per cent.

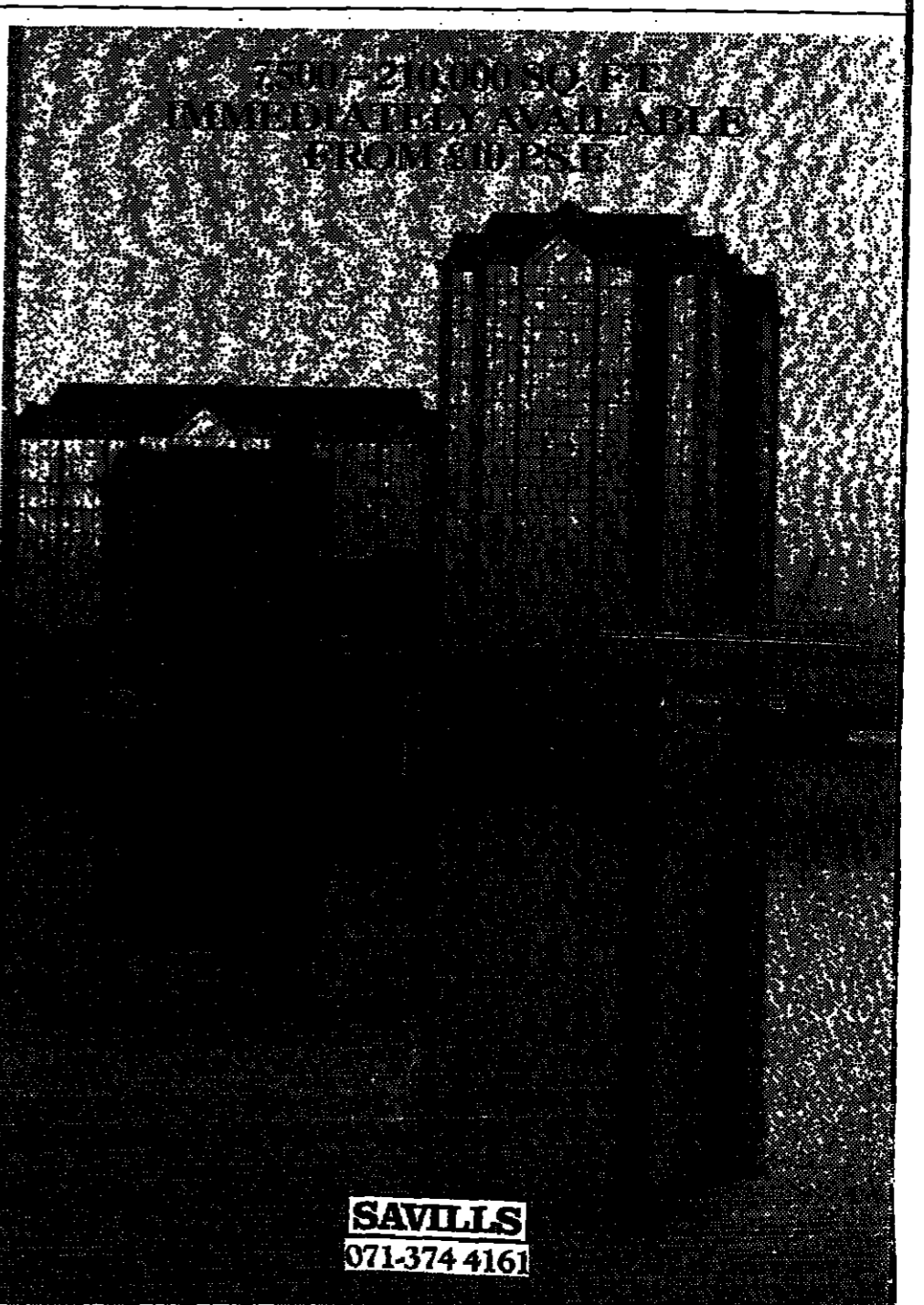
However, the department also announced big downward revisions to retail sales figures for previous months. It said sales fell 1.4 per cent between December and January and 0.8 per cent between November and December, compared with initial estimates of falls of 0.9 per cent and 0.5 per cent.

The revised figures suggest the retail economy remains weak in spite of last month's improvement. Sales last month were 1 per cent below the level of February 1990. Sales for the past three months were 2.4 per cent below the level of the previous quarter and 0.8 per cent below the level of the same period last year.

The declines would be considerably larger if allowance were made for inflation which is running at an annual rate of 4 to 5 per cent.

However, last month's rebound in sales was broadly based. Motor vehicle sales rose 3.3 per cent after declines of 4.3 per cent and 15 per cent in January and December.

But sales were still nearly 6 per cent lower than a year ago. Greenspan sees easing in inflationary trend, Page 20



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Maxwell wins control of loss-making NY paper

The ink is not yet dry on new contracts that will allow Robert Maxwell to buy the loss-making New York Daily News. But the workers are already celebrating what looks like a pyrrhic victory. Page 3

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MARKETS

STERLING New York lunchtime: \$1.857 London: \$1.857 (1.8565) DM2.9275 (2.9175) FFr9.5825 (9.5525) SF2.5425 (2.5325) Y23.25 (same) £ index 93.3 (93.2)	DOLLAR New York lunchtime: DM1.577 FFr5.3685 SF1.3678 Y135.975 London: DM1.5785 (1.5705) FFr5.375 (5.355) SF1.369 (1.362) Y136.4 (136.25) £ index 93.1 (92.9) Tokyo close: Y136.55 US 3-month Treasury rates Fed Funds 5.83% 3-mo Treasury Bill: yield: 5.99% Long Bond: 95½ yield: 8.24%	STOCK INDICES FT-SE 100: 2,448.2 (-4.6) FT Ordinary: 1,952.1 (+4.3) FT-A All-Share: 1,188.82 (-0.2%) New York lunchtime: DJ Ind. Av. 2,930.2 (+7.58) S&P Comp 370.96 (+0.93) Tokyo: Nikkei: 26,418.32 (-308.1) LONDON MONEY 3-month interbank: closing 12¼% (12¼) Little long gilt future: Jun 91 (91½)
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كندا نيوز

House rejects proposals for S&L funding

By Peter Riddell, US Editor, in Washington

US taxpayers face a bill of \$8m a day after the House of Representatives' rejection of four different ways of providing extra funding to keep the savings and loan rescue going.

Reflecting big divisions on the House banking committee, shifting groups of Republicans and Democrats in the full House voted down a series of proposals to provide \$30bn funding for this fiscal year. A parallel version acceptable to the administration has already been approved by the Senate. This would provide the \$30bn with minimal conditions, apart from more detailed reporting on the rescue.

Bush administration officials and congressional leaders were yesterday working on a compromise to provide the funding needed to repay depositors in failed and closed savings and loans.

The failure to provide adequate funding last autumn has already cost \$300m because insolvent institutions cannot be closed and their losses increase. The cost of failing to act is now estimated at \$8m a day.

The problem is that the rescue is highly unpopular because of its huge cost, and Democrats have pressed changes in the handling of the

bill-out, as well as a new low-income housing programme and associated provisions, which the administration rejects because they would cost \$150m to \$200m.

The mood was reflected in the comment of one Ohio Democrat, who said: "I'm voting No. I don't want my fingerprints at the scene of the crime." An Iowa Republican said: "Everyone is looking for a reason not to vote for this."

Initial funding of \$50bn for the rescue has already been exhausted and the extra \$30bn is to cover the period until the end of this September. In addition, federal agencies will seek to borrow \$48bn for working capital on top of \$53bn already raised to cover the cost of holding assets before they are sold.

The White House and the Treasury have been criticised for not taking a high enough public profile, or lobbying intensively enough, for the rescue.

The affair is overshadowing the start of congressional debate on the administration's banking reform plan.

There is caution over bank restructuring in order to avoid the risks of repeating the savings and loan fiasco, although the proposed form of deregulation is very different.

Argentine railway strikers threatened

By John Barham in Buenos Aires

ARGENTINA'S government has threatened to sack striking railway workers unless they lift a month-long strike within 24 hours. It published newspaper advertisements yesterday ordering staff to report for work today.

The strike has become the most serious challenge to President Carlos Menem's campaign to subdue the once-powerful labour unions. He has succeeded in taming the unions' leadership, but the rail strike shows that resentment in the rank and file against government policy is growing.

Opinion polls published this week indicate growing public support for industrial action. The polls found 45 per cent of the public supported a general strike, and 58 per cent backed the railwaymen.

Strike leaders at the government-owned Ferrocarriles Argentinos rejected the government's order to end their strike. They want a 200-per cent pay rise.

Government officials, who often recall former UK prime minister Margaret Thatcher's year-long battle against striking coal miners, refuse to negotiate with the strikers.

Maxwell wins NY paper

THE ink is not yet dry on the new labour contracts that will allow Mr Robert Maxwell to acquire the loss-making New York Daily News, but the workers are already celebrating what looks increasingly like a pyrrhic victory, writes Alan Friedman in New York.

Mr Maxwell has spent the past week in a display of showmanship and round-the-clock negotiations flamboyant even by his own standards. He has jetted in and out of New York and has cajoled, threatened and soothed the strikers into accepting savage job cuts - 800 out of 2,400 union positions - that they refused to make for the newspaper's owner, the Tribune Company of Chicago.

He has cashed in on the workers' hatred of Tribune and especially on the Chicago company's threat to shut down the Daily News by Friday unless a deal was agreed.

The militant unions - some of whose members were involved in the worst street violence seen in a New York strike in recent years - held a celebration party late on Tuesday evening that underscored their ambivalent attitudes to the British publisher.

They sang, danced, chatted and gave a stream of interviews to local television reporters, invariably proclaiming: "We sent Tribune packing out of New York. We beat them."

They realised that up to one third of them would lose their jobs. But as one sports writer from the newspaper said: "We hate the Tribune Company."

But Mr Maxwell's colourful approach to business is only beginning to be understood by New Yorkers. Over the past 24 hours he has dropped more superlatives

than Donald Trump at the height of his success. He has walked about wearing a bright blue Daily News baseball cap and presented himself to New York as the Great Saviour.

"This has captured the imagination of the city," said the 77-year-old British publisher as he moved between his yacht, his Gulfstream jet and the Manhattan offices of Maxwell-Macmillan, his publishing company.

Mr James Hoge, the publisher of the Daily News, has said the paper lost \$100m (\$24m) last year and will lose \$80m in the first quarter of 1991. He sent his congratulations to Mr Maxwell yesterday, only days after describing the union impasse as "exactly like pre-Wapping Fleet Street".

An elated Mr Maxwell meanwhile was yesterday feasting on his new-found celebrity status in New York. He told the New York Times: "I am notorious in many parts of the world, but in New York I could always go out for a coffee and not be recognised. I recognise that luxury will be gone at the end of the week."



Publisher Robert Maxwell (left) shakes hands with Allied Printing Trades Council head George McDonald after announcing the deal.

Exxon agrees to \$1bn Alaskan oil spill settlement

By Martin Dickson in New York

EXXON, the largest US oil company, yesterday agreed to pay between \$1bn and \$1.1bn to settle civil and criminal cases arising from the Exxon Valdez oil spill off the Alaskan coast, the worst environmental disaster in US history.

The figure includes a \$100m (\$24m) criminal fine, believed to be the largest ever paid for environmental damage, and

\$900m in civil damages, to be paid over 10 years.

The settlement with Alaskan and US government officials contains a clause which could also make Exxon liable for another \$100m for natural resources damages not yet foreseen.

Some 11m gallons of crude oil were spilled when the Exxon Valdez ran aground in

March 1989, killing marine birds, mammals and fish in Prince William Sound and the Gulf of Alaska. Exxon, which has been heavily criticised for its handling of the affair, has already spent \$20m on clean-up work and \$200m to settle claims.

The settlement, which still requires the approval of the courts, will conclude the big

suits filed against the company but will not end the oil spill litigation, since hundreds of separate suits from fishermen, environmentalists and others are pending against it.

District Judge Stanley Sporkin, who is presiding over the case, lifted a temporary bar on a settlement on Tuesday but retained the right to review any agreement to make sure

the rights of Alaskan natives were protected.

The civil damages will be used to for further clean-up work, but the precise targets have yet to be chosen.

Exxon said yesterday the agreement would have no noticeable effect on its financial results, because it had already made provision for such costs.

Parliamentary rebellion leaves Antigua in crisis

By Canute James in Antigua

A POLITICAL crisis has overtaken the eastern Caribbean island of Antigua following a rebellion by members of parliament against Mr Vere Bird, the prime minister.

The seven MPs, including four ministers, one of whom is the prime minister's son, told Mr Bird, 81, that he should retire immediately. They are unhappy with his decision earlier this month to assume the finance portfolio following the finance minister's resignation.

The MPs said Mr Bird had compounded the error in his presentation of the budget last week. Rather than making a full presentation, Mr Bird read a summary of the budget, and then asked for a parliamentary debate.

Mr Bird, however, has rejected the resignation calls and is reported to be planning changes to the cabinet, including the transfer of his son, Lester, the foreign minister, to the education ministry, and the

sacking of other rebels.

The latest row in the island's government follows a split in the Bird family which has dominated Antigua's politics for the past 25 years.

Last year, Mr Vere Bird, Jr, another of the prime minister's sons and a government minister, was implicated in a scandal in which Israeli arms were shipped through the island to a leading member of one of Colombia's drug cartels. He has since left the government.

The rebel MPs are reported to want Mr Lester Bird appointed prime minister, with Mr John St Luce, the former finance minister as his deputy.

They say the latest development in the island is a "constitutional crisis," and have threatened a parliamentary vote against the prime minister unless he steps down before this week's budget debate.

The prime minister has been told that if he agrees to step down he will be allowed to remain in the cabinet.

Bush names envoy to UK

By Peter Riddell

PRESIDENT George Bush yesterday formally nominated Mr Raymond Seitz, a senior State Department official, to replace Mr Henry Catto as US ambassador to Britain.

Mr Seitz, 50, is assistant secretary for European and Canadian affairs. He will become the first career diplomat to hold the post. The nomination is subject to Senate confirmation.

Mr Seitz already knows the UK and British politicians well

from two previous postings in London, most recently from 1984 to 1989, when he built up a high reputation.

While not part of the inner circle of Mr James Baker, the US secretary of state, Mr Seitz has played a key role in handling German unification, US-Soviet relations and, recently, co-ordinating US and European policies during the Gulf war. Mr Henry Catto, the present ambassador, will head the US Information Agency.

Back to the Hall of Fame for ballplayer

EVERYONE over 40 in the US was rooting for him. Mr Jim Palmer, a former superstar baseball pitcher, tried to make a fresh start at the age of 46 with his old team, the Baltimore Orioles, seven years after his retirement, writes Peter Riddell.

For three weeks he was the centre of attention in the Orioles spring training camp in Sarasota, Florida, as television cameras watched his every move, exercising, running and practising.

It was always going to be a long shot but on Monday reality, and age, caught up with him, and the fantasies of middle-aged Americans.

Palmer pitched two innings, giving up two runs and five hits, a mediocre performance. Everyone was polite about it afterwards.

However, in the process Palmer felt his right hamstring pop and he has now decided to give up his dream. "You've got to be 100 per cent to do this. It's like a 12-cylinder Jaguar. Every cylinder has to be firing and that's real difficult to do at 45. It's tough to do at 35."

The Orioles would have been happy for him to carry on for the next three weeks of spring training, helping young pitchers, even though everyone really knew that he was never likely to make the team for the normal season.

Mr Frank Robinson, Orioles manager, said Palmer "handled himself with class and dignity. He didn't allow it to drag on. When he knew he couldn't go on, he ended it."

Now it will be back to his contract modelling Jockey underwear and as a television commentator on Orioles games. As Palmer - already exonerated as a baseball legend in the Hall of Fame - said: "It's a perfect world except when you have to go out and perform."

MANAGEMENT
EDUCATION
& DEVELOPMENT

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EUROPEAN NEWS

Moscow in move to establish currency market

By Leyla Boulton in Moscow

THE Soviet government plans to establish the country's first currency exchange at the end of March in a limited move to build a currency market.

The exchange, at which hard currency is to be bought or sold for roubles at rates determined by supply and demand, is open only to Soviet banks described as having the technical ability to carry out such operations.

Mr Alexander Potemkin, the central bank official who is setting up the exchange, said the aim was to create an inter-bank currency market and further loosen the state's monopoly over the distribution of hard currency.

"I cannot say that this is a serious step towards convertibility of the rouble. It's oriented more towards the development of market infrastructure in the currency sphere," he said in a telephone interview.

At least 25 banks already have licences to conduct foreign currency operations from Gosbank, the central bank, and republican branches. Most are Moscow-based but a handful of

republican participants will include two of Estonia's newly created commercial banks.

At present currency can be bought or sold at market rates only at limited auctions held every few months by Vnesheconombank (Bank for Foreign Economic Relations), the state foreign trade bank.

The dollar last fetched Rbs36 there, compared to a fixed commercial rate of Rbs1.72.

While a step forward, the move is less ambitious than plans published last year by the Tass news agency for a country-wide network of exchanges open to all legal entities registered under Soviet law.

Mr Potemkin said, however, that banks would be able to buy and sell currency on behalf of enterprises which had accounts with them.

He added that Gosbank would intervene to support the rouble in currency exchange trade.

But this is unlikely to be very significant given the limited currency resources available to the state bank and the weakness of the rouble.

Spanish Bank holds on to 14.5% interest rate

By Peter Bruce in Madrid

THE BANK OF Spain threw the country's money markets into confusion yesterday by refusing to cut official short-term interest rates in line with market expectations.

The Central Bank held its official intervention rate at 14.5 per cent despite fierce pressure from the markets and its partners in the European Monetary System (EMS) for a cut.

The Spanish Treasury holds its fortnightly auction of Treasury Bills (Letras del Tesoro) and bonds today, after making steep interest rate cuts two weeks ago.

Demand for the paper, in anticipation of higher prices as interest rates fall, has been so strong that the auction of 3-month Letras has been cancelled.

The Bank of Spain's refusal to lower its official intervention rate is likely to spark irritation both at home and in Spain's EMS partners.

The French, whose currency is currently at the bottom of the exchange rate mechanism, badly want the peseta weakened in order to relieve pressure on the franc.

In Spain, many of the commercial banks have already begun cutting their lending rates and now run the risk of being caught short by the Central Bank's reticence.

The Bank of Spain is being driven into a tight corner by conflicting domestic and external pressures. At home, inflation is not slowing down. Demand for credit is growing at more than 20 per cent and the broad money supply measure (M3) grew 15.8 per cent in February, twice its target.

But, analysts suggest, the Bank is going to find it impossible to resist external pressures to cut interest rates. "I think rates are going to come down soon," said Mr Jorge Hay, chief economist at Banco Hispanoamericano. "The Bank of Spain is not going to be able to rely on monetary policy much longer. Some fiscal package will be necessary."

Spain's February inflation figure, expected to be favourable, is due today and could provide the authorities with a slim argument for cutting rates ahead of important local elections in May.

Foreign governments call Warsaw's tune

Stephen Fidler outlines the implications of Poland's approaching debt agreement

UNLIKE the large debtors of Latin America, which owe most of their debt to banks, about three quarters of Poland's \$45bn hard currency debt burden is owed to foreign governments.

The reason stems back to the early 1980s. Ostracised by the west because of the introduction of martial law, Poland ceased repaying foreign governments and continued servicing its bank debts. The result was that unpaid interest mounted up, eventually dwarfing the bank debt burden.

The approaching foreign debt agreement has significant economic significance to Poland. But the motivation for the deal is strongly political. The aim of the US government has been to make an announce-

ment to coincide with the visit of the Polish president Mr Lech Walesa to Washington.

Ethnic Poles are viewed as an important constituency in US politics and influential legislators have made substantial debt reduction for Poland a precondition of their support for ratification of the European Bank for Reconstruction and Development, the London-based multilateral institutions due to begin business next month.

The deal is complicated but, according to government officials close to the negotiations, would allow government to choose one of three courses of action, which are aimed to have the same economic effect: the reduction of the net present value of Poland's debt by 50 per cent. The relief would

be concentrated in the early years of the agreement.

Creditors would choose among writing off part of Poland's debt, accepting lower interest payments but leaving the debt's face value unchanged, or through an option which would allow for reduction of interest payments and some roll-up of interest into capital.

The debt relief would be in two stages. The first stage, accounting for perhaps 30 per cent of the reduction in net present value, would last for three years and would include a cut of 70-80 per cent in Polish interest payments. In year four, the interest bill would rise with concessions on the debt service bill likely to average 30-40 per cent.

Agreement is likely to send a

signal to Poland's bank creditors, led by Barclays, which are meeting Polish officials this week in Paris. So far, questions over Poland's arrears to banks on its roughly \$10bn in bank debt have held up progress.

Although creditors are likely to stress Poland's unique position, the implications of the deal are highly significant for a broad group of other debtor countries, for example:

- Egypt: a similar two-stage debt reduction appears to be on the cards for Egypt. Some officials believe a similar 50 per cent figure will be arrived at, but an agreement is further off than for Poland.
- The poorest countries, mainly in Africa: so far, these countries have been granted a maximum 33 per cent debt

relief against which the Polish concession appears an anomaly.

This means work is likely to start over the next few months on plans for further debt relief, probably based on the proposals made by UK prime minister Mr John Major in Trinidad, when chancellor of the exchequer.

Other middle-income countries: The development will give an impetus to claims for debt relief from middle-income debtors other than Poland and Egypt, with less obvious political claims for support.

They can expect to be rebuffed immediately. However, how long governments will be able to support the position that Poland and Egypt are special cases remains anybody's guess.

Belgrade concession to demonstrators

By Laura Silber in Belgrade

SERBIA'S ruling Socialist party (former Communist) yesterday conceded to thousands of anti-government demonstrators by offering to dismiss the interior minister.

At the same time, fears of a military coup abated. Mr Stipe Mesic, Croatia's representative on the collective presidency, yesterday dismissed the possibility that the army would take any action.

"The option that a state of emergency would be called for all of Yugoslavia was considered, but rejected," he said after an emergency meeting of the presidents from the six republics and two provinces.

Despite the concessions, which include the release of 200 detainees, Serbia's Socialist party is finding it hard to regain public support. The opposition is demanding the collective resignation of the Serbian government.

Mr Radmilo Bogdanovic, the interior minister, offered to resign yesterday morning. He called in police and security forces to quell anti-government demonstrations in Belgrade, the Yugoslav capital on Saturday. Two people died, scores were injured and 636 people detained.

The opposition, which consists of students, intellectuals and twelve political parties, yesterday again took to the streets of Belgrade, also the capital of Serbia, the largest of the six republics, confident

that they can force the government to resign.

They were urged on by Mr Vuk Draskovic, head of the opposition Serbian Renewal Party who was released from detention earlier in the week.

Speaking to a crowd of over 20,000, he warned that the Socialist party under Mr Slobodan Milosevic, the president of Serbia, could no longer suppress democracy. "Serbia has arisen, set no one be deceived that Serbia can be enslaved by tanks, clubs, and bullets. Freedom has come to Serbia," he told the demonstrators who had gathered for the fifth consecutive day in Belgrade.

The cheering crowds also called for fresh elections following the Socialist landslide victory last December and the 12-party opposition coalition announced a "meeting for freedom", scheduled for March 20.

It will coincide with a meeting of Serbia's communist-dominated parliament which will establish responsibility for the brutal suppression of last Saturday's protest.

A journalist who worked for Politika, the mouthpiece for the socialist party yesterday said "Milosevic is on his way out. But we are all guilty, the writers, journalists and artists who under recently said Mr Milosevic was the greatest Serb to live in over 500 years."



Opposition leader Vuk Draskovic, now released from detention

France reacts to urban poverty

By William Dawkins in Paris

THE FRENCH cabinet yesterday tabled plans to tackle the social deprivation which contributed to last year's rash of urban riots and threatened to pose political problems for the government.

The scheme, drawn up by Mr Michel Delebarre, recently appointed as France's first minister for cities, would oblige local councils and property developers to ensure the provision of a minimum amount of cheap housing.

It would also abandon the urban development zones which many of today's troubled high density estates, in favour of planning policies to encourage a more thorough mix of different kinds of housing.

This follows an existing government plan, tabled last year, to arrange a transfer of cash away from rich local authorities to the 400 urban areas certified as having dangerously high joblessness, poverty and immigration.

Both will be presented for agreement to the spring session of parliament, which begins next week. They are likely to come under strong attack from Rightwing MPs, who suspect the scheme is a cover-up to buy the loyalty of poorer constituencies.

NEWS IN BRIEF

Czechoslovak electricity rates to rise by 80 per cent

By Leslie Collett in Prague

THE Czechoslovak government is to raise electricity rates by 80 per cent in the second round of steep price increases this year. A rise was delayed last December when the government feared it would antagonise Czechoslovaks buffeted by a 26 per cent increase in food prices on January 1. Mr Jan Jicha, deputy economics minister, announced the government's decision. Electricity power rates for industry are to rise 80 per cent on April 1 and household electricity is to go up by the same amount on September 1. The average price of 1 megawatt hour of electricity is currently Koruna 750 (218), an artificially low rate which has nearly bankrupted the Czech and Slovak electricity utilities.

European Commission criticised

The European Parliament yesterday hauled the European Commission over the coals for being secretive about negotiations between the EC and the European Free Trade Association (EFTA), designed to set up a European Economic Area (EEA). It was the first time the Commission has been criticised in this way.

Under the Treaty of Rome the parliament must approve the EEA treaty, and some of its members clearly relished this opportunity to flex their muscles against the EC's powerful executive. As well as demanding more information on the slow progress of the talks, the MEPs were concerned that the new treaty might dilute their own limited powers, while some members questioned the need for an EEA at all.

Of the six EFTA members (plus its associate Liechtenstein), Austria has already applied for EC membership and Sweden has said it will do so soon. Mr Frans Andriessen, the EC external affairs commissioner, said it was not that the Commission was being "stingy with information" but that this was rather scanty. He promised to involve the parliament in the final stages of the negotiation, which some MEPs complained had already been reached.

Brussels proposal on Sofia loan

The EC should contribute up to \$400m of a \$1.6bn balance of payments loan led by the International Monetary Fund for Bulgaria, the European Commission proposed yesterday. David Suchan writes from Brussels.

The loan proposal for EC governments' approval follows Bulgaria's agreement with the IMF on an austerity package and comes in the wake of this week's visit by Mr Frans Andriessen, the EC external affairs commissioner, to Sofia and other East European capitals. The EC Commissioner singled out Bulgaria as showing most recent progress towards economic reform.

He did not discourage requests by Prime Minister Zhelev's government that Brussels should start negotiating a formal association accord with Bulgaria, leading to free two-way trade and maybe one day EC membership. So far the only such negotiations in train are with Poland, Hungary and Czechoslovakia.

Throughout his five-day, five-country tour, Mr Andriessen found East European sights were firmly fixed on the future. Taking almost for granted an EC association that has yet to be negotiated, Polish, Hungarian and Czechoslovak leaders clearly indicated their long-term aim of EC entry, while Bulgarian and Romanian leaders already wanted to move beyond their 1990 trade and economic cooperation accords with Brussels to their hoped-for next step of becoming Community associates.

Tetra Pak takeover frozen again

The proposed takeover of Alfa-Laval, the Swedish dairy and food-processing equipment group, by the Swiss packaging company Tetra Pak has been frozen for another week while the European Commission decides whether to mount a full-scale merger inquiry, writes Andrew Hill in Brussels.

The SKR16.25bn (£1.5bn) bid was notified to the Commission three weeks ago, and automatically suspended under the EC merger regulations which came into effect in September. This is the first time the EC's merger task force has extended the preliminary inquiry period beyond three weeks.

Manufacturers warned of squeeze on profits

By Clay Harris, Consumer Industries Editor

EUROPEAN food and drink manufacturers will have to work much harder for profit growth in the 1990s, and the gap between leaders and followers in specific product categories will widen, an FT conference in London was told yesterday.

Mr Jim Grover, a partner in O&C Strategy Consultants, said the increase in margins achieved in many countries in the 1980s was unlikely to be repeated because low growth in demand would persist and in many companies would find it harder to remove more costs from their operations.

Leadership in defined product categories would be more important than a company's overall size, he added.

"Category followers will need to be focused and creative if they are to earn attractive returns and not see their competitive positions eroded," Mr Grover said. These companies would be squeezed if many retailers adopted Direct Product Profitability, a tool which quantifies the wide gap in the returns they achieve on strong and weak brands.

Followers would have to recognise economic realities and aggressively manage their business around profitability rather than revenues and market share. One way to do this

FT CONFERENCE

FOOD & DRINK INDUSTRY

was to create niche markets by focusing on premium products as Green Giant Europe has in sweet corn, said Mr John Leaker, vice-president of the Grand Metropolitan subsidiary. He and Mr Edward Glover, president of Campbell Europe, emphasised the need for central co-ordination of advertising and marketing strategy.

Mr Christopher Haskins, chairman of Northern Foods, which supplies 20 per cent of the food sold by Marks and Spencer, said the opening of the Channel Tunnel would allow fresh food to be made in Sheffield and sold the next day in Düsseldorf. Mr Howard Phillips, chief executive of Perkins Foods, which makes most of its profits in the Netherlands and Germany, said one way to avoid a "washing-line approach" to acquisitions was to encourage inter-group trading links between subsidiaries.

Car group lobbies EC

By Kevin Done and Andrew Hill

MR Raymond Levy, the president of ACEA, the recently formed European motor industry lobbying group, is to meet European Commission officials today to present European carmakers' demands for controlling controls on Japanese car sales.

Mr Levy will discuss the demands with Mr Martin Bangemann, European commissioner for industry and Mr Frans Andriessen, commissioner for external relations in Strasbourg.

He is also expected to meet other commissioners including Sir Leon Brittan, who is responsible for competition policy, later in the day.

It is understood that the European motor industry is seeking a transition period with continuing controls to last until 1993 with Japanese car sales limited to 15 per cent share.

The Commission is hoping to achieve a compromise between the controls favoured by France and voluntary monitoring which could be acceptable to Tokyo.

British electricity industry opposes EC proposals

By Andrew Hill in Brussels

DIFFERENCES have emerged between the British electricity industry and its European counterparts over European Commission ideas for improved competition in the sector.

Most EC electricity suppliers, as well as suppliers in Austria and Switzerland, have come down against expansion of the principle of "third party access", one option being considered by the Commission.

This would give consumers some access to the electricity grids across the EC, enabling them to buy electricity from any European supplier.

Eurelectric, which represents EC, Austrian and Swiss electricity suppliers, wants to present a unanimous report to a committee set up last year by the Commission to investigate the issue.

But British representatives feel unable to sign a document which conclusively rejects third party access when a measure of choice has just been introduced into the UK through the government's privatisation of the electricity generators and distributors.

Mini-budget planned in Italy

By John Wyles in Rome

THE Italian government is to introduce a L12,000m (£5.5bn) mini-budget within a few weeks to bring within reach a projected L132,000bn budget deficit for this year, Mr Paolo Cirino Pomicino, the budget minister, said yesterday.

This will be the fifth successive mini-budget correction since 1987 and further confirmation of the erratic nature of Italian governments' budgetary arithmetic.

Italy's economy has been stagnating since the third quarter of last year. The minister says the slowdown is causing a L7,000bn shortfall in tax revenues on an annual basis.

Mr Cirino Pomicino did not specify what measures would be taken, although Mr Rino Formica, finance minister, is said to have ruled out further tax increases. They would be decided, said Mr Pomicino, after the so-called "verifica" in which the coalition parties will seek to agree on whether or not to soldier on until elections next year, rather than kicking them forward to this summer.

Bleak backdrop to Finnish election

Robert Taylor on how the poor economy could influence the voters

THIS Sunday's general election in Finland could not have come at a worse time for the current so-called "red/blue" coalition government of Social Democrats and Conservatives that has run the country for the past four years.

After being one of the fastest growing Western economies during the 1980s, Finland finds itself in the depths of a severe recession, which has worsened dramatically since last autumn.

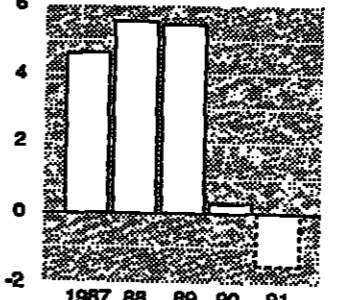
"We have crash-landed", admitted one senior Ministry of Finance official yesterday. Three years ago, Finland enjoyed a growth rate of over 6 per cent. But last year the economy was stagnant and this year gross domestic product could contract by 1.5 per cent.

Investment is plummeting and unemployment looks set to climb over the 6 per cent mark by next year, high by Finnish standards.

At the same time, corporate profitability has fallen, interest rates remain at penal levels and manufacturing output is dropping. Moreover, Finland's

Finland

GDP growth rate (%)



current account deficit has widened, with a rise to FM25.5bn (£2.5bn) in 1990, 4.8 per cent of GDP. Foreign debt is now FM114bn, 22 per cent of GDP, and meeting repayments has become a burden.

Consumer prices are rising at a lower rate of about 4.7 per cent now, but the present national wage agreement - now in its second year - looks generous, with wage increases likely to run at 6 per cent this year. Some comfort can be

drawn from the probable improvement in the visible trade figures. After the 1990 FM1.7bn deficit, there should be a surplus this year, mainly because of the slump in domestic demand.

Mr Pentti Vartiainen, the independent forecaster, ETLA, criticises the government's fiscal laxity as a contributory factor in the present difficulties. This year, central government spending looks set to grow by as much as 7.5 per cent in real terms, due to improved social benefits, and this is expected to produce a state revenue deficit of FM4.5bn and a net financing requirement of FM12.5bn.

It is perhaps not surprising that the opposition Centre Party, which looks like doing well in Sunday's poll, has the government's economic record its main election issue.

Some of its spokesmen have even called for devaluation of the currency to improve Finland's competitiveness.

This has been strongly opposed by the two parties in the coalition, but an emergency economic package will

be necessary this spring to stabilise the economy.

"Our recovery will be long and painful", admits one senior Finance Ministry official. Next year, no growth is expected in the economy and it may be 1993 before Finland sees any real signs of an upturn.

Mr Matti Louhekoski, the minister of finance, is opposed to increased public sector spending as a way out of the slump.

His Conservative Party favours tax cuts, a reduction in state spending and tax incentives to export industries. The Social Democrats are less enthusiastic about any measures that will increase unemployment, although they are more sympathetic than they used to be to market solutions.

Finland's economic position has become more uncertain since January, with the abolition of the bilateral clearing-house trade system it had with the Soviet Union since 1948. This will hit trade with its neighbour badly and make the economy more dependent on west European markets.

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WORLD TRADE NEWS

Moves to deny Bush 'fast-track' on Uruguay Round

By Nancy Dunne in Washington

SENATOR Ernest Hollings, Senate Commerce Committee chairman, was set yesterday to bring in a resolution denying President Bush the "fast-track" negotiating authority he needs to complete the Uruguay Round trade talks.

Opposition to "fast-track" extension has been growing in both houses. A similar resolution has been introduced in the House of Representatives by Congressman Byron Dorgan, a North Dakota Democrat, backed by 14 colleagues.

The "fast-track" authority, whereby Congress forgoes its right to amend completed trade agreements, can be defeated by a simple majority in either House.

The two resolutions of disapproval are backed by textile and clothing interests, farmers, labour, consumer groups and manufacturers.

The opposition has been fuelled by concern about the North American Free Trade Agreement (NAFTA), also covered by the "fast track". There is likely to be an effort, headed by Congressman Terry Bruce, to make procedural changes to separate the vote on the two negotiations.

Mrs Carla Hills, US Trade Representative, has sought to mollify the opposition. She has promised to produce by May 1 an "action plan" outlining how the administration will address workers' rights, environmental and health and safety standards, in the talks with Canada and Mexico.

Separating the two negotiations, she said, would be "a grave mistake". The GATT talks are vital to preserve "US leadership in the global economy".

The FTA talks give the US a chance to ensure the permanence of reforms introduced by Mexico's President Carlos Salinas de Gortari. She does not think the FTA can be completed by year-end. "The administration will take all the time necessary to negotiate a good agreement."

Mr Edward Madigan, new US agriculture secretary, has said he will "fight like a junkyard dog" to protect the interests of US farmers in the Uruguay Round. Senator Patrick Leahy, Senate agriculture committee chairman, has threatened to oppose the "fast-track" extension unless the administration promises income support for farmers hit by trade reforms.

Brussels widens inquiry into 'dumping' of memory chips

THE European Commission has widened an inquiry into alleged dumping of memory chips and is now investigating around one US and three South Korean companies, Andrew Hills reports from Brussels and Michael Skarzynski from London.

The investigation into Intel, in the US, and Samsung, Goldstar and Hyundai of Korea, follows two accords to stop the dumping of memory chips in Europe by Japanese companies.

Inquiries into Japanese dumping of memory chips into the UK (King of Dynamic Random Access Memory (DRAM) chips and Erasable Programmable Read Only Memory (EPROM) devices. The new inquiry follows a complaint by the European Electronic Component Manufacturers' Association (EECA),

which last year alleged dumping of one megabit DRAMs by Samsung. It now says it has asked Brussels to investigate the sale of all Korean memory chips in Europe, but would not say if it had found evidence of dumping by the other companies named, though the Commission should look at all Korean imports. Intel sells DRAMs made in Korea by other companies.

Mr Eckhard Runge, EECA secretary general, said the earlier investigations into Japanese groups had established manufacturing costs. Given the Japanese were the most efficient makers of DRAMs, it might be thought any Korean company selling chips at below that cost was dumping, he said.

Gear makers take transatlantic debate up a notch

Gulf war highlights US loss of domestic market share in a strategic industry, reports Andrew Baxter

THE after-effects of the Gulf war are threatening to change the tenor of a gentlemanly debate between European and US gear makers over the growing share of the \$14bn US market taken by imports.

Representatives of the two industries are working hard to prevent long-standing talks about comparative research and development spending, technical standards and government support turning into a full-scale trade war.

Now, after many years of friendly contacts between the two sides, neither is confident that a confrontation can be avoided.

If that happens, the Gulf war will have played an important part by focusing attention on the defence industry and its increasing reliance on foreign-made parts. European producers worry that Congress will accept arguments for punitive measures against them, and that the "Gulf syndrome" might obscure the real issues behind the relative decline of the US producers.

These, say the Europeans, are the lack of spending by the US on research and development and an unwillingness to adapt products to export mar-

kets, especially in Europe. "The Americans have been sitting on their laurels for 10 years", says Mr Michael Opperman, president of Eurotrans, the gear and transmission association representing the nine major west European industrial countries.

The US and Europe account for one-third of the \$44bn world market for gears and power transmissions, of which up to 80 per cent goes to the motor industry.

From 1984 to 1988, the US turned from a \$300m annual trade surplus in gears to a \$300m deficit, as the strong dollar sucked imports into the US market. Imports have been growing at 30 per cent a year and now account for up to 40 per cent of some market segments, and around 20 per cent overall.

In response, the American Gear Manufacturers Association (AGMA) has encouraged a "Buy American" policy for gears used by the defence industry, and to lobby Washington for the same level of state aid to research and development that Continental European companies receive.

Ammunition for the AGMA campaign has come from two official reports highlighting the



The US industry views helicopters as "flying gearboxes".

weakening competitive position of the US gear industry. The first was an International Trade Commission study last year, followed in February by a Defence Department report on the national security implications of a weakened domestic industry.

The data for the two reports was collected between 1984 and

1988, but Mr Richard Norment, executive director of the AGMA, admits that the current "confluence of events" has raised the awareness and sensitivity of US politicians about defence self-sufficiency. "This does help us to ram the message home," he says.

Helicopters, viewed by the gear makers as "flying gear-

boxes" just as tanks are "flying gearboxes", are a case in point, says Mr Norment. If the US had not built up a parts stockpile, and if helicopters had been used more widely during Desert Storm, there would not have been sufficient domestic capacity to keep them running.

The AGMA and Eurotrans met last month in Washington for talks which have left both sides better informed, but also a long way from a solution.

Mr Opperman is waiting anxiously while the AGMA takes the unusual step of drafting a "letter" petition to the Commerce Department. Used only half a dozen times before, this is intended for situations where there is clear evidence that imports are affecting an industry with significant national security implications.

The AGMA hopes to complete the petition by mid-April, after which President Bush could decide on a range of options, including focusing government research spending on the gear industry, introducing a "buy American" policy for defence gearing, or bringing in voluntary restraint agreements (VRAs).

But the President could also file a dumping case against the

European producers. Mr Opperman has no quarrel with extra government research spending and Eurotrans has even suggested setting up a transatlantic subcommittee to deal with both sides can help each other on R&D and standardisation.

But he is deeply concerned by the prospect of punitive action by the US, and says the AGMA cannot prove that European imports have been dumped in the US market. Mr Norment, meanwhile, says some of his members are convinced they do have a case against dumping, citing the failure of European importers to raise prices over the past two years as the dollar has weakened.

Neither side wants a battle, and there is still a strong chance that the Gulf war could have a positive effect by winning extra government funding for the US gear makers without endangering free trade.

But the results of the 232 petition will be closely watched by other defence-related industries. As Mr Tom Kling, president of the AGMA and of Philadelphia Gear points out, the Gulf war has changed defence spending priorities enormously, emphasising the need to maintain self-sufficiency.

Estonia in drive to woo more foreign investors

ESTONIA is to adopt more liberal legislation to encourage foreign investment, because of the deterioration in the Soviet economy and the military clamp-down in the fellow-Baltic states of Lithuania and Latvia, Enrique Tessier, recently in Tallinn, reports.

Dr Meelis Pily, director-general of the Estonian state department for foreign economic relations, says Estonia is about to enact new legislation which could increase foreign investment from \$100m (\$54m) in 1990 to \$300m-\$400m this year.

Estonia's promise to create a more favourable investment climate stems from the fear that Soviet stability, as well as slow economic reforms, is making investors wary.

Dr Pily acknowledged foreign investment and Estonia's aspirations to gain greater

autonomy from Moscow were inseparable. The foreign investment law, which may be enacted in the next two weeks, is expected to give two-year - in some cases, up to five-year, tax holidays for companies wishing to set up in Estonia. Those applying for such tax breaks must have a minimum equity capital of \$500,000 and be owned 50 per cent by a non-Estonian entity.

Mr Ulf Rönholm, general manager of Sadolin, the Swedish Finnish-based company which set up the first joint venture in Estonia and the Soviet Union in 1987, said: "I expect foreign investment in the Soviet Union to drop 40 per cent this year, and even more in Estonia. But it should pick up again next year."

Recent figures show Estonia had, by last February, 246 joint ventures from 27 countries.

US may press Poland to change phone tender rules

US telecommunications systems suppliers are considering asking the US Government to press Poland to change the tender rules for a cellular phone network worth some \$250m (\$135.1m), Christopher Bobinski reports from Warsaw.

This follows a visit to the US by Mr Jerzy Slezak, Poland's telecommunications minister, who said his Government was looking to the bidders for a "donation" towards developing the country's communications system.

Western companies have been bidding for the contract since last year, and a short list was suddenly invalidated in January and new tender rules set out.

Last autumn, the US Government told the Poles how important it regarded having a US operator win the contract,

which assumes 100,000 telephones being installed during five years. Final qualifiers were: Nynex working with AT&T; GTE with the Dutch PTT and Hutchison of Hong Kong; Crowley Cellular Communications of the US; Racal of the UK; BMTS, linking British Telecom and Scandinavian countries.

The new tender rules ask the bidders, who by law have to have a minority share in a joint company with the Polish post office, to quote merely the prices they plan to charge for the service, and the size of the "donation".

The three offers proposing the largest donation and the lowest prices would be decided on April 30 and go into talks on the terms of the joint company. The new rules have been greeted with dismay by western companies.

German nuclear industry set to build two plants

THE GERMAN nuclear industry looks set to receive a boost from the Bonn Economics Ministry decision to back the building of two new nuclear power stations in east Germany, David Goodhart reports from Bonn.

Mr Jürgen Möllemann, Economics Minister, has given his ministry's political and financial backing to the three main German utilities, Bayernwerk, Preussenelektra and RWE, which are keen to build the two plants.

The two 1,300 MW pressurised water reactors will be built on the site of east Germany's existing Soviet-designed nuclear plants at Greifswald and Stendal. Both centres have been closed because of inadequate safety levels and work on four new reactors at Greifswald stopped.

Work on the new nuclear plants should begin in 1993 and will take five to six years. However, the plans have not yet received the necessary clearance from Mr Klaus Tölgel, environment minister.

Venezuela petrochemical deal

Venezuela's petrochemical producer, Petquiven, and Ecotul, a subsidiary of Italy's Ente Nazionale Idrocarburi (ENI), have agreed to build a \$80m (\$178.3m) petrochemical plant in Venezuela, Joe Mann reports from Caracas.

An agreement has been signed to set up a joint venture company to build and operate a plant capable of producing up to 670,000 metric tons of methanol a year.



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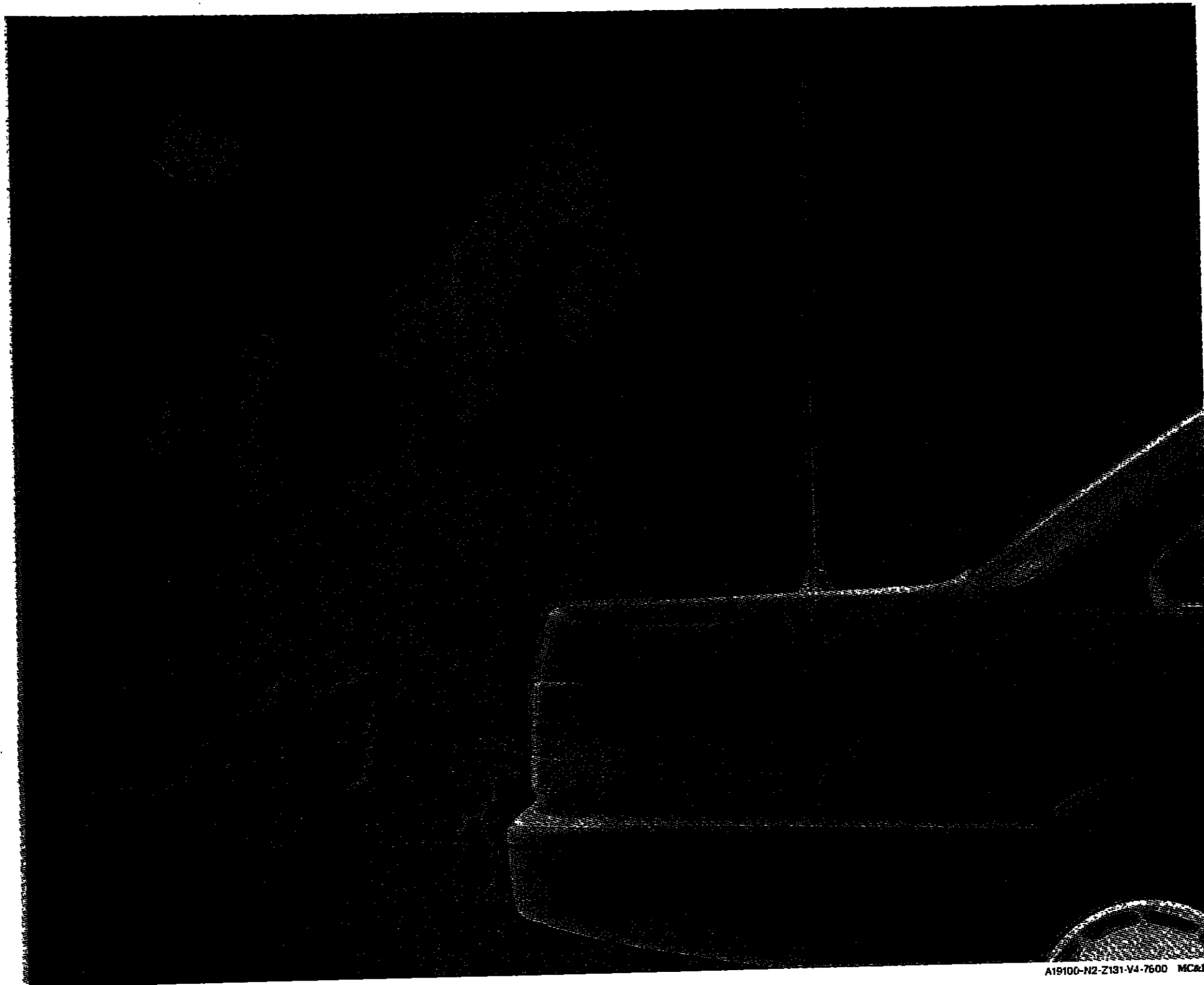
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UK NEWS

Parties to seek European Court clarification of UK industrial tribunal's ruling on superannuation equality

Pensions industry faces £13bn extra costs

By Eric Short, Pensions Correspondent

THE UK pensions industry could face an extra £13bn a year on its pension costs as a result of an industrial tribunal ruling on equal pensions for men and women.

The tribunal effectively ruled that all company pensions payments which started on or after May 17, 1990, must be equalised between men and women.

The decision came in the ruling by tribunal chairman Mr J H Bellis, at Manchester Industrial Tribunal, on *Roscoe v Hick Hargreaves*.

Last year, the European Court established the principle of equality in company pension schemes with its judgement in

Barber v Guardian Royal Exchange.

But its ruling on the retrospective application of the Court's judgement was unclear as to the circumstances of yesterday's case.

Mr Alan Roscoe retired at the age of 60 after 40 years service with the Bolton-based engineering firm Hick Hargreaves literally only a few weeks after the Barber judgement in the European Court.

The company's pension scheme has a normal pension age of 65 for men and 60 for women, so Mr Roscoe was retiring five years early.

Hick Hargreaves adopted the interpretation that it need only

equalise the pension benefits accruing from the date of the judgement, May 17, 1990.

So Mr Roscoe found that his pension was reduced by 27 per cent compared with the comparable full pension a woman would have received at age 60 with 40 years service.

With the backing of the Equal Opportunities Commission, he took his employers to the industrial tribunal contending that the pension offered was a breach of the judgement in that equality applied to all pensions commencing after the date of the EC judgement.

Mr Bellis upheld this contention, though his written reasons will not be available for two or three weeks.

Both the EOC and the pensions industry regard this case as a test case to resolve the ambiguity over the retrospective aspects of the EC judgement. But an industrial tribunal decision does not set a precedent. It only applies to this particular case.

As such, both sides want this case to be referred to the European Court. Counsel for Hick Hargreaves asked the chairman for a referral, but was told that it was not necessary. So now, it depends on whether Hick Hargreaves will appeal against this decision, when both sides could ask the

hearing at the Employment Appeals Tribunal for a referral to the European Court.

Mr Kevan Gradwell, chief executive of Hick Hargreaves said that the company was awaiting the tribunal's written reasons before deciding on its next course of action.

However, the Society of Pension Consultants and other organisations, which may include the Department of Social Security, is seeking to discuss with Hick Hargreaves whether it is prepared to treat this as a test case and take it to appeal and beyond. In which case, there could be financial support to Hick Hargreaves to pursue this action further.

Preparing to drop the flagship after the pilot

Philip Stephens looks at how the Tory party is coping with the sad saga of the poll tax

THE poll tax is one of those sad political sagas in which the main players long ago conveniently forgot their roles in the plot. As Mr John Major, the prime minister, writes the final act they are trying now to forget that they were ever in the cast.

The mood among Tories at Westminster this week was captured eloquently by a mid-ranking minister with a reputation as one of the brightest spokesmen for the Thatcherite wing of the party.

Speaking in the confessional tones appropriate to such a subject, he explained that the political background to the tax had been misunderstood. Mrs Margaret Thatcher had dubbed it the flagship of her third term of office, but it was more an accident than a truly "Thatcherite" policy.

So while he fully expected (and hoped) that Mr Major

would tell the cabinet today the tax must be scrapped, he was equally sure the prime minister remained a faithful guardian of his inheritance. The fleet if not the flagship would sail on under its new captain.

A handful of the minister's colleagues were not quite so enlightened. Mr Michael Forsythe and Mr Christopher Chope, both fervent backers of the Tory whips, the MPs in charge of party discipline.

It was not long before political journalists had been told less than discreetly that the two had been given short shrift. If their consciences dictated they stand down there were many bright colleagues eager to take their places.

The role played by others in the poll tax fiasco is a subject not discussed in polite Conservative company. That it was

Mr William Waldegrave, now at the foreign office, who provided the intellectual backbone for Mr Kenneth Baker, now Home Secretary, is seen as irrelevant.

No-one mentions - except the Labour Party - that Mr Douglas Hurd, now Foreign Secretary, only a few months ago referred to the "appealing" principle behind the poll tax; or that Mr Chris Patten, now party chairman, commented that justice in local taxation depended crucially on ensuring that everyone paid.

But few Tory MPs fully appreciated the political embarrassment of this particular U-turn - Mr Baker once called a property tax based on capital values a "hammer" on homeowners - will be trivial compared with the economic cost.

The precise formula under which Mr Major chooses to switch some local taxation to

the Treasury is more relevant in political rather than economic terms. Moving funding of teachers' pay to the centre, for example, is just a proxy for giving councils more money.

What is clear is that whatever the shake-up in local authority functions, the switch to a property tax will involve billions of pounds of taxpayers' money to placate the new set of losers.

The replacement of the poll tax, with a new panoply of transitional relief schemes and a comprehensive system of rebates, could easily cost the Treasury up to £10bn.

So as Mr Norman Lamont, the chancellor, puts the final touches to the Budget, his cabinet colleagues are busy pre-empting any cash that he might have for the future.

It is no longer a question of how quickly the government can get down to a 20p basic

rate of income tax but rather whether it can avoid putting it up from 25p to 27p.

Ministers are already privately discussing the "virtues" of a post-election Budget which added 5 percentage points to Value Added Tax. It would, for example, encourage saving.

Over the past five years local authority spending has risen by about 40 per cent in cash terms, roughly in line with the growth of central government expenditure.

By squeezing the level of grants, however, the Treasury ensured that the amount that had to be raised locally jumped by 75 per cent. No new tax could survive that.

It is a charge, of course, that cannot be sustained as long as the other players insist that the poll tax is a saga with only victims rather than villains. Editorial comment, Page 15

BRITAIN IN BRIEF



Liquidation looms for travel group

The travel business of the International Leisure Group is set to go into liquidation with the loss of more than 1,500 jobs following the failure to find a rescue buyer before yesterday's deadline set by administrators.

The insolvency of the group, which includes Intasun and Club 18-30, and the calling in last Friday of its £63m consumer protection bond had damaged the business to the point where it had been impossible to find a buyer, the administrators said.

The calling in of the bond, which ILG had to lodge with tour industry regulators to protect stranded passengers and guarantee the repayment of deposits, meant that holidays could not be sold and brochures were withdrawn from travel agents' shelves.

A total of 1,550 ILG employees were dismissed, 800 in the UK and 750 overseas. The liquidation of the tour companies was now inevitable, Mr Hayward said.

Accountancy redundancies

Coopers & Lybrand Deloitte, the UK's biggest firm, this week announced that his firm will be laying off at least 200 in the next few months. Last week, Ernst & Young, the third biggest firm, laid off 75 qualified staff, taking the total made redundant since December to around the 100 mark.

It is not only the big firms which have been cutting back on staff numbers: the medium-sized firms have been at it too.

Clarke Whitehill, Stoy Hayward, Pannell Kerr Forster, Grant Thornton and Neville Russell are among those reported to have dismissed staff since the beginning of this year.

Labour to cut opencast mining

Britain's opposition Labour party will cut back opencast coal mining in the UK for environmental reasons if it forms the next government, according to Mr Frank Dobson, the party's energy spokesman.

Launching a document entitled "Opencast coalmining - too high a price?" Mr Dobson called for stricter planning regulations governing opencast sites.

Opencasting, the report concluded, caused distress from noise and dust to local communities, and could permanently damage the



Dobson: seeking mining rules

landscape. Despite this, the Conservative government had encouraged its steady growth over the last twenty years.

New contracts for cable group

Cable & Wireless, the electronics group, has ended union recognition for 1,000 employees based around the world but recruited in Britain and is introducing new employment contracts asking for worldwide mobility.

The company has ended formal agreements with the MSF general technical union and the white collar section of the Uddaw distributive trades union.

CBI seeks rise in petrol prices

The Confederation of British Industry, the UK employers organisation, called for petrol prices to be pushed up beyond the rate of inflation as part of a package of measures to curb emissions of carbon dioxide, the so-called greenhouse gas. It also suggested that the

scale of taxes on company cars, at present related simply to engine capacity, should be changed in a way that favoured the purchase of more fuel efficient cars.

The CBI, however, rejected the idea of using punitive taxes to discourage the proliferation of company cars, saying this would increase private ownership of older and less fuel efficient vehicles.

Longer life for N-stations

A programme to extend the life of seven ageing nuclear power stations has been drawn up by Nuclear Electric, the state-owned nuclear generating company in England and Wales.

Nuclear Electric regards the programme as crucial to improving its financial position, and thereby reducing the subsidy it now receives in the form of a levy on electricity bills.

Mr John Collier, Nuclear Electric's chairman, said details of the programme had been submitted to the Nuclear Installations Inspectorate, the safety watchdog.

Aircraft group wound up

A UK-based aircraft leasing company which last July announced that it was to acquire 50 aircraft from a Romanian manufacturer as part of a £10m (£24.3m) deal has been compulsorily wound-up by the High Court in London.

The order against Associated Aerospace, of which Sir Geoffrey Fattis, a former government minister, is chairman, was made on a petition by Hill Holliday Public Relations, a creditor for £80,000.

The court was told that the debt related to publicity in connection with the Romanian deal.

Executive car sales decline

The sharp drop in the new car market last month hit the executive and luxury sectors particularly hard, with sales of some prestige makes around a half of levels last February.

UK motor traders said European producers are also witnessing a significant erosion of UK market share, with Volvo, Renault and Fiat among the principal casualties.

Death toll rises in motorway crash



At least 10 people died yesterday and 25 were injured as fire swept through a 30-vehicle pile up on the M4 motorway between London and western England (pictured above). The death toll - initially believed to be five - rose as police said rescue workers searching the mangled wreckage on the London-bound carriageway found five more bodies. Eyewitnesses told of a fireball exploding across the motorway after the initial crash. The Automobile Association renewed calls for automatic speed warning lights on fog-bound stretches of motorway following the crash, which one ambulance officer described as "total horror."

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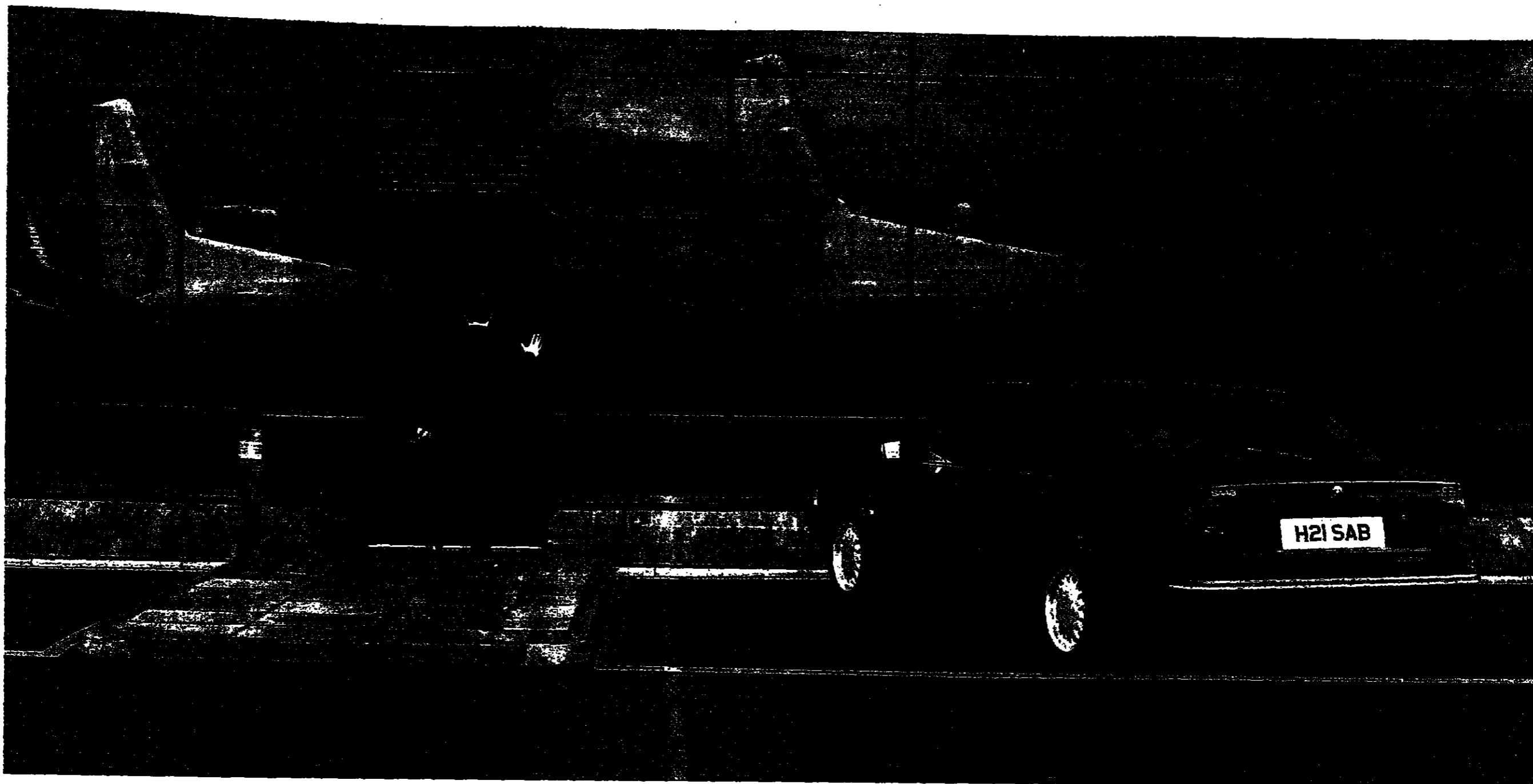


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UK NEWS

Revised deficit gives government unexpected lift

By Peter Marsh, Economics Staff

BRITAIN'S current-account deficit for last year was £12.8bn, a fifth less than originally estimated, according to government figures released yesterday.

The change in the number, from the £16.0bn estimated last month, followed from a large upward revision by the Central Statistical Office on figures for invisible trade - which includes services, interest payments and other financial transactions.

It led immediately to City analysts cutting sharply their projections for this year's current account deficit and seems likely to give the government an important psychological lift by reducing worries about the country's balance of payments problems.

The Treasury said the change was "very welcome". Mr James Barty, an economist at Morgan Grenfell, said the revision would be "incredibly helpful" to the government in increasing the confidence of financial markets, helping it to reduce interest rates.

Britain's current account deficit, which reached a record £19.9bn in 1989, has been fall-

ing quickly, mainly due a large cut in imports resulting from the recession. There have been worries in recent weeks, however, that large deficits could reoccur in 1992 and 1993 as the economy recovers.

Yesterday's changes led to the assumption that this year's current account figures were likely to benefit from higher numbers for invisibles than had previously been forecast. On this basis, the February current account deficit, to be announced on March 25, is likely to be roughly zero, as against the £900m originally predicted.

As a result of the amendments, some City analysts cut their projections for this year's current account deficit from about £10bn to around £5bn. Historically, invisible trade has acted as a lifeboat for Britain's balance of payments by providing large sums of revenue from overseas transactions to offset Britain's large deficit on visible trade.

The largest change was a sharply increased estimate for the net amounts of cash earned by UK banks at the end of last year on overseas borrowing.

Lamont prepares Britain for an important Budget

Peter Marsh on the government's taxation options

NEXT week's budget - the government's annual statement on economic and taxation strategy - is unlikely to be a dull one. That is the feeling of many of Britain's private-sector economists, who believe Mr Norman Lamont, the chancellor of the exchequer, will provide a series of important policy messages on Tuesday.

The depth of the recession will reduce the chancellor's room for manoeuvre on tax cuts, which are likely to be aimed mainly at relieving pressures on the poor.

As part of this process, the better-off may be forced to give up some of the tax benefits they enjoyed during much of Mrs Thatcher's reign, according to several economists.

"If anyone's going to suffer from this Budget it will be the higher-rate taxpayer," says Professor Alan Budd, economic adviser to Barclays Bank. "It will be the beginning of the end of a period in which the government redistributed money from the poor to the rich."

City analysts will pick over the entrails of the Budget to find clues to Conservative thinking on the possible election date. Many believe the

austerity of Mr Lamont's measures will relate to the proximity of an election.

Mr Christopher Johnson, economic adviser at Lloyds Bank, dismisses suggestions that this will be a boring Budget. "This could easily be Mr Lamont's one and only Budget - I can't believe he's going to sit back and do nothing."

Efforts to improve the shape of the economy following Britain's entry into the European Exchange Rate Mechanism (ERM) are certain to form part of Mr Lamont's Budget strategy.

There could be, for example, a reference to managing monetary growth within the ERM in the statement on medium-term financial strategy likely to accompany the Budget.

The trick for Mr Lamont will be to stitch these ideas into a policy framework that has been severely constrained by Britain's economic decline. With the recession showing few signs of having bottomed out, tax intake in the next year is likely to be less than expected while public spending is set to rise.

These effects - assuming no changes to the tax system - would push the government from an estimated net surplus

this financial year to a likely borrowing requirement of about £20bn next year.

The chancellor is unlikely to find scope for net tax cuts of more than about £1bn - roughly a quarter of a percentage point of total UK output. That would bring the government's borrowing needs next year to close to £10bn.

There may be an opportunity for Mr Lamont to shift a somewhat larger volume of taxation - say £2bn - between sectors. His efforts, say the economists, will be driven by four main considerations:

● Helping the poor. Raising tax allowances by more than the rate of inflation would help poor people disproportionately, providing up to £2bn of relief, paid for by modest inroads into benefits for richer people.

● The election. There will be an important message for the electorate in any tax changes aimed at the worst off, according to Mr Kevin Gardiner, UK economist at Warburg Securities. "It will be a softening of the Tories' image," he said.

At the same time, the chancellor will not want to alienate the better-off Conservative supporters, which may reduce his appetite to do anything too



Keeping his options open: Lamont is seeking ways to improve the shape of the economy

fundamental.

"Mr Lamont will have to try to make small changes in taxation, which will not offend any single group too much," said Mr Andrew Britton, director of the National Institute for Economic and Social Research.

● The economy. The chancellor will steer clear of any measures that might damage the government's favoured route out of a recession - a slow, measured recovery which minimises the chances of a re-emergence of inflation. That is one reason why Mr Lamont is likely to resist any temptation to over-stimulate the economy

with deep tax cuts: such a move might also unnerve the financial markets, which in turn could lead to pressure on sterling's position in the ERM.

Mr Peter Spencer, UK economist at Shearson Lehman Brothers, the US investment bank, believes Mr Lamont will have inflation in mind when proposing any changes to excise duties.

"Mr Lamont is likely to show more inclination to put up taxes on petrol rather than on cigarettes and alcohol: in this way the burden will fall mainly on industry and he will not show up directly in the

retail price index," he said.

● Special interest groups. Mr Johnson says industry may be helped with modest changes in the rates for corporation tax and allowances for the effects of inflation when taxing company stocks.

Mr Spencer says there may also be some "decorative greenery" perhaps a higher rate of excise duty for gas-guzzling cars.

If Mr Lamont has a "big idea" on taxation, he has yet to inform the City, and in any case most analysts agree this would be the wrong time to put any grand plans into effect.

Industry expresses concern over new EC merger powers

By Robert Rice, Legal Correspondent

THERE is widespread concern in British industry about the European Commission's new powers to investigate mergers, according to Coopers & Lybrand Deloitte, the accountants and management consultancy group.

A survey of the UK's top 500 companies revealed 64 per cent would rather have a merger investigated by the UK competition authorities than by Brussels.

The results of the survey have been made available to the House of Commons Trade and Industry Committee which is currently investigating takeovers and mergers.

The survey revealed that 93 per cent of British industry is in favour of government regulation of mergers and that almost 60 per cent believe the authorities should consider wider issues than the effect of the merger on competition, such as regional policy, unemployment and economic policy.

There is strong support within industry for the Monopolies and Mergers Commission to remain independent of political control.

Opinion is divided on whether the UK competition

authorities behave consistently and whether their ground rules are sufficiently publicised. Fifty-five per cent, for example, think the MMC's ground rules on the public interest are obscure.

Almost three quarters thought the process of examining mergers should be shortened further. Less than 50 per cent thought the Office of Fair Trading was consistent in deciding whether or not to refer a merger to the MMC.

Nearly 60 per cent of respondents also thought that where the value of the market affected was small there was no need to investigate mergers.

● Britain is becoming impatient at the EC's lack of progress in drawing up a labelling scheme to tell consumers whether a product can damage the environment.

Mr Michael Heseltine, environment secretary, warned yesterday he would have to decide whether to proceed with a separate scheme for the UK if agreement is not reached quickly by the EC. He is likely to raise the matter with other environment ministers at the EC Environment Council meeting in Brussels on Monday.

Mr Mark Durkan

IN a feature by Jimmy Burns in the Financial Times dated Monday October 22 1990 it was stated that Mr Mark Durkan, an assistant to the SDLP MP John Hume, "remembered his school days, in the early 1970s, spent spitting on the backs of the English soldiers. Among young people at the time there was always a buzz around violence. It gave us something to talk about."

Mr Mark Durkan has pointed out to ourselves that at no stage did he make any suggestion or give any indication that he in fact had ever spat on anyone. Mr Durkan had, in response to a series of questions about the attitudes of young people growing up in the troubles in the 1970s, discussed incidents where soldiers searching a school bus were in fact spat upon.

The Financial Times also

accepts that at no time did Mr Durkan subscribe to the view that there was "a buzz around violence." He has pointed out to the Financial Times that any such comments by him were made in relation to a pattern of schoolboy rumours about different incidents during the troubles. Mr Durkan himself has never subscribed to the view that there is "a buzz around violence." This quotation was taken entirely out of context in the interview with Mr Burns.

The Financial Times acknowledges that Mr Durkan was misrepresented in a manner which was offensive and damaging to him. We are glad to set the record straight in this matter and apologise to Mr Durkan for any embarrassment or distress caused to him, his family and colleagues.

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BUSINESS LAW

Sea change for air industry as traffic distribution constraints are abolished

By Simon Chamberlain and Martin Briggs

THERE HAVE been many changes in the UK aviation industry in the last decade - the revival and privatisation of British Airways, its merger with British Caledonian, the demise of BIA, Paramount and Novair, and the creation and success of Virgin Atlantic. But it is difficult to think of anything in that 10-year period to match the concentration of turmoil and change in the last three weeks.

Perhaps the most far-reaching event will prove to be the decision by Mr Malcolm Rifkind, transport secretary, to accept the Civil Aviation Authority's recommendations to remove the main traffic distribution rules for airports serving the London area.

The three rules which have been removed:

- excluded from Heathrow any international airlines which were not operating scheduled services from there before;
- precluded the operation of series charters from Heathrow;
- banned new domestic services by any airline from Heathrow except where the secretary of state granted a certificate that the user benefits of the service overrode the economic and efficient use of Heathrow.

These rules prevented British airlines (such as Air Europe and Virgin) and many major foreign airlines (such as All Nippon Airways, Cathay Pacific, Air New Zealand, Northwest and Delta) from using Heathrow.

They were originally introduced because Heathrow was close to what was then thought its maximum capacity, and the government had a specific policy of developing Gatwick as a second important international airport for London.

While Gatwick has undoubtedly developed into a major international airport, Heathrow is still perceived and used as the primary London airport for scheduled flights. It has better interlining and connecting opportunities and a substantially larger flow of passengers. Gatwick's development is constrained by its single, shorter runway capacity.

Both UK and foreign airlines have long believed that having to use Gatwick was a significant competitive disadvantage.

Now, all domestic and international airlines will be able to fly to Heathrow provided they meet two qualifications.

First, they need to obtain the slots - the dedicated times for take-offs and landings. Second, they need to be permitted to operate under the bilateral agreement between the UK and the country of the airline's origin.

In years past, bilateral agreements generally restricted to London without specifying either Heathrow or Gatwick. After the introduction of the traffic distribution rules, Gatwick was usually specified.

The first immediate consequence of the removal of the traffic distribution rules is to pave the way for United Airlines and American Airlines to operate at Heathrow in place of Pan Am and TWA, respectively.

Agreement has been reached between the governments of the US and UK to amend the bilateral agreement governing the two countries' air services.

While the UK government has managed to secure concessions which will benefit Virgin particularly, these concessions do little to open the US domestic market which provides so much support for the US airlines operating across the Atlantic. There are, though, a number of likely longer-term consequences which will flow from Mr Rifkind's decision on the traffic distribution rules.

- Most of the long-haul international scheduled airlines currently only able to use Gatwick will seek a move to Heathrow. A number have already applied for Heathrow slots. Such a move will almost certainly enable them to increase their share of passenger traffic.

- The very limited availability of slots at Heathrow means that short-haul scheduled carriers will, in practice, be unable to transfer from Gatwick to Heathrow because they will be unable to acquire enough slots, or enough at acceptable times, to mount a credible short-haul international schedule.

- The Gatwick long-haul international carriers will not be affected as much as the short-haul operators by the lack of slots at Heathrow

because they require fewer of them than the short-haul operators, and their operations are, to some extent, less time-sensitive. This will enable them to use some of the available, but less-attractive, slots.

- At present, the IATA slot-allocation system employed at Heathrow and Gatwick permits airlines to swap slots. This is done without payment or other consideration. Given that slots at Heathrow will become even more scarce and valuable, the CAA contemplated in its advice the possibility of airlines adding some consideration to secure slot changes and transfers. Such a process will increasingly put pressure on airlines issuing slots for some of the less-profitable domestic services to the regions (such as Heathrow to Liverpool, Plymouth and Leeds/Bradford). Services to the regions are likely to disappear eventually as the value of the slots used for such services begins to exceed the profits which they can generate.

- The anticipated stampede of long-haul airlines from Gatwick to Heathrow is bound to have a significant impact on Gatwick's future as an important international airport. The loss of the long-haul airlines will remove the interlining opportunities which are an important ingredient for a successful short-haul operation. Without interlining opportunities, the remaining short-haul airlines at Gatwick will have to survive on point-to-point traffic at an airport which has always struggled to compete with Heathrow for scheduled traffic.

- The movement of long-haul carriers to Heathrow will, of course, release Gatwick slots and add to those which will be released by the demise of Air Europe and which have already been released by the reductions - implemented and planned - by Dan Air and British Airways in their operations at Gatwick. Suddenly Gatwick will cease to be constrained by a lack of available slots.

That can only throw into uncertainty the future of Stanstead whose development was so much a consequence of the congestion at Heathrow and Gatwick. Stanstead's development as a significant London

airport can only be made more difficult by these developments.

- The gradual disappearance of regional services might, on the one hand, encourage the development of more direct services from regional airports to the big European cities, although it is inevitable that regional airports could not begin to match the range of services which are offered from London. On the other hand, it may encourage the use of European Airports such as Charles de Gaulle in Paris and Schiphol in Amsterdam (which have services to UK regional airports) as the interlining hubs from which passengers from the regions are able to make their connections to destinations around the world. Residents of the regions have consistently maintained the importance to them and to their business communities of the regional services to Heathrow and there is likely to be a detrimental effect on industry, commerce and employment in those regions. It is difficult to see how it can be in the interests of UK aviation for foreign airports to become the interlining hubs for passengers from the UK regions.

Mr Rifkind's first few months in office have required him to make some momentous decisions affecting the aviation industry - allowing Virgin to take some of BA's slots to operate its Tokyo service, rejecting an application by British Midland to restrict some of BA's domestic services, the UK-US re-negotiation of Bermuda 2 and now the question of access to Heathrow.

He has shown himself willing to take tough, controversial decisions in the pursuit of further competition and greater choice for the consumer. Nor will his brief stop there; political circumstances permitting, a decision will have to be made in the not-too-distant future on a new runway in the south-east.

Little, however, is certain - only that the UK aviation industry, already in turmoil with the failure of the Air Europe group, will never be the same again.

The authors are partners in the solicitors firm, Rowe & Maw.



JF Pacific Warrant Company S.A.

INTERIM REPORT 31ST DECEMBER 1990

* Net Assets at 31/12/90

US\$54.8m

* Successful 1 for 4 bonus issue of shares and warrants

Extracts From Chairman's Statement

“The investment environment in global stockmarkets, already overshadowed by high inflation and rising interest rates, has deteriorated further since the start of the Gulf crisis. The uncertainty for the medium-term outlook has eroded the premia at which warrants were trading, resulting in warrants generally underperforming equities, and your Company's net asset value has suffered accordingly.”

As stockmarkets around the world declined, investors increasingly diversified their investments, using instruments such as bonds, futures, options and warrants in order to maximize returns with limited risk. The interest in warrant-based investment companies has, therefore, increased during the period, as warrants now look relatively cheap against equities. As the overriding direction of the markets turns upward, warrants will undoubtedly outperform market indices and your Company, which is currently 18% liquid, is in a strong position to take advantage of this upturn.”

A.H. Smith
Chairman
21st February 1991

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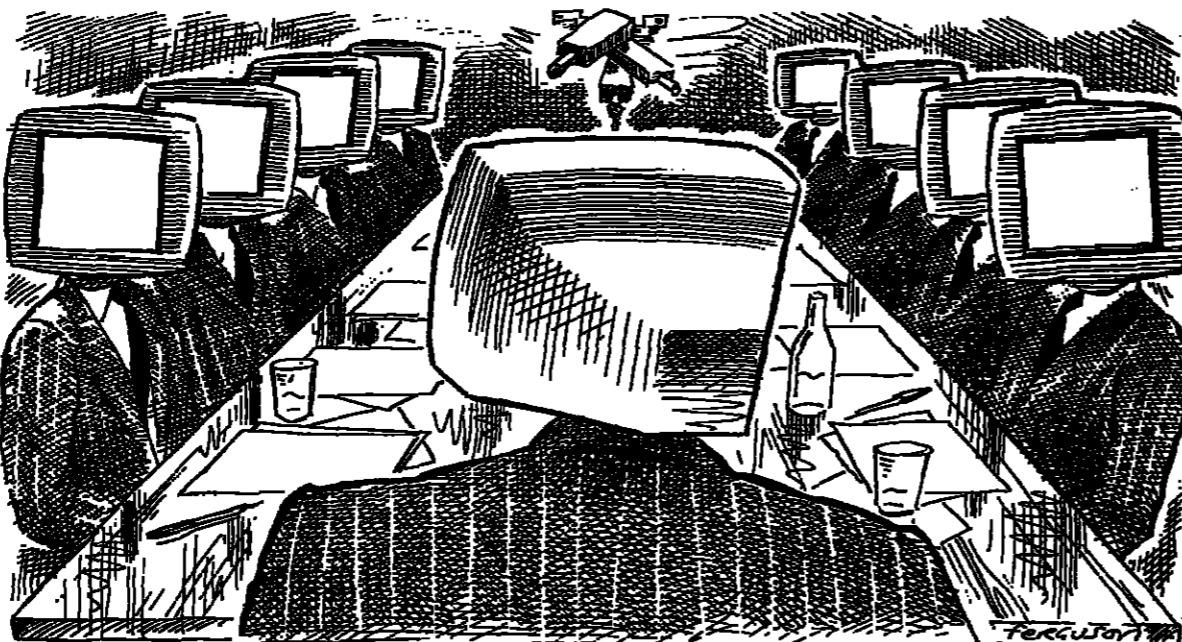
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TECHNOLOGY

Twenty years ago Xerox predicted the PC revolution. Alan Cane describes its vision of working life in the 21st century

A second glimpse back to the future



In a converted warehouse sandwiched between the ancient greenward in central Cambridge known as Parker's Piece and the 190-year-old Downing College, researchers are anticipating a future where the computer is king and reality has to be simulated to make life bearable for its human subjects.

The building is Cambridge Europe, a small but important outpost of Xerox Corporation's famous Palo Alto Research Centre (Xerox Parc) in California. Funded directly by Xerox (the joint venture between Xerox and the Rank Organisation, the UK leisure group), the researchers, under acting director Bob Anderson, are investigating ways in which humans and computers interact, the so-called human-machine interface.

Much of their work has a chilling quality which brings "Big Brother" and other aspects of George Orwell's 1984 to mind; what gives it a special significance is the fact that 20 years ago it was a similar group of Xerox scientists working at Xerox Parc who drew up the blueprints for what we now think of as personal computing. They created a vocabulary of metaphors to make the highly unnatural business of using a computer easier and more intuitive which has now been accepted throughout the business world.

They devised, for example, the "mouse", the palm-sized device which users roll around their desk top to control a screen cursor. They coined the idea of creating a desk top on the computer screen so that users see their tasks laid out as a series of "windows". And they invented "icons", small pictures of tasks on the screen to take the place of text.

These ideas were years ahead of their time. Parc researchers were forced to build prototypes in technology crude by today's standards. Xerox Corporation, moreover, proved remarkably inept at commercialising the ideas coming out of its top research laboratory. It was left to Apple Computer with its Macintosh and Microsoft with "Windows 3.0" software to popularise Parc's ideas.

The implication is clear, however, that pedigree counts for anything, the themes which European researchers are investigating today in Cambridge may have a powerful influence on working life in the early part of the 21st century.

It will not be to everybody's liking. The idea of living in a computer-generated reality will set many teeth on edge. Europe has been constructed as an "information environment", a set of individual offices linked by a computer network which "knows" where individual researchers are and what they are doing. The technologies used are state-of-the-art, but elements compared with what can be expected over the next two decades.

Each office features a video camera and microphone, a set of loudspeakers and a battery of powerful personal computers. Each staff member wears a badge which regularly emits an

infra-red beam monitored by a receiver in the ceiling. Entering a foreign office, a researcher is recognised by the system and welcomed by a computer-generated voice.

Much of the research is concerned with testing ways of enabling people to work together through a combination of audiovisual and computer-based techniques while physically separated by thousands of miles.

Some would regard the projects as outlandish. Bill Gaver, for example, is investigating the ways computer-generated sounds can be used to give an impression of human contact between workers in separate offices.

Consider greeting a colleague in his office. In real life, you would open the door, attract your colleague's attention, give your message and close the door again. At Europe, the colleague would first hear the sound, generated by computer, of a door opening. At this point the video camera is activated; the "face" that the camera is running is the sound of a camera shutter opening. The end of the electronic visit is signalled by the sound of a door closing.

Gaver is assembling a library of such sounds. A reminder that you have forgotten a meeting manifests

itself as a rising crescendo of voices followed by the tapping of a gavel; the sound of a letter clunking through a letter-box signifies the arrival of an electronic mail message.

There are limits to electronic surveillance at Europe; staff members can turn off their video cameras or point them out the window if they wish to work unobserved. And there are no receptors for the infra-red beams in the lavatories.

The bizarre images conjured up by these experiments tend perhaps to obscure the serious social importance of the work going on at Europe.

Anderson explains that most of what the centre is doing stems from a belief which few can challenge, that computer power will soon be so inexpensive and computer systems so physically small that machine intelligence will become dispersed throughout the working environment rather than confined to the machines we recognise as PCs or workstations.

The Parc researchers in the 1970s saw the future as personal computers capable of many different functions and connected one to another through telecommunications networks; their vision approximated to what we call distributed computing today.

Anderson believes another computer revolution is in the offing: "The multifunction workstation is not going to be the major focus of activity. Instead there will be ubiquitous computing."

The implication is that computer power will be on tap like water or electricity. Businesses will be encompassed by a "ring main" of invisible computers providing computing power through a diversity of devices on the desk, in the pocket and in the meeting room.

"Organisations are becoming more distributed both organisationally and physically over greater distances. Current information technologies are both enabling and destabilising. While they enable increased efficiency and decentralisation, they tend to upset working patterns. The challenge is to design technology that promotes organisational cohesion and to discover effective processes for fitting technology into the pattern of working life," Anderson says.

There are three principal research themes at Europe. First, ways of interconnecting people through multi-media. Second, ways of creating novel interfaces to the information world, and three, discovering ways to use

technology to aid and promote the design process.

Much of the research is concerned with finding ways of using computers to compensate for human frailty. Lenhart Lovstrand has developed an interactive diary system which features software "demons", which he defines as "small pieces of intelligence out there acting on your behalf". They are designed to help cope with information overload.

A simple example is a train demon activated by a sensor on the roof. When it is raining, the system reminds the demon's owner to take an umbrella when going out. Hardly a complex task, but to a computer system, 100 reminders are no more difficult to execute than one.

William Newman and Michael Lanning are working on ways of helping people to remember things - to reconstruct past events, recall the names of visitors, locate information after forgetting where they filed it and so on.

Their system, which they call activity-based information retrieval (AIR), is based on psychological research which shows that people often try to log their memory of particular events by mentally reconstructing their activities at the time.

The AIR system keeps a detailed record of events in an individual's life - the infra-red badge provides a log of his or her movements, over-the-desk cameras capture images of documents on the desk, computerised records are kept of the way the individual uses his or her PC. At the end of the day, the system analyses the log, picking out important events and listing them as a diary which is sent to the individual the following day.

Europe's research is, by definition, long term in nature and rarely directed towards commercial products. Lanning, however, has developed an intelligent notetaking device he calls "Noteline" which seems to have commercial potential. The problem it solves is the difficulty of accurately noting down an important idea during a seminar or lecture.

The written note is often inadequate or wrong; tapes of lectures are time consuming to analyse. Lanning's device is a videorecorder linked to a notebook computer that will accept handwriting. The notetaker records the lecture, noting points of interest briefly on the computer. The two machines are time synchronised, so that the videorecorder notes a later date will immediately recall the appropriate section of the tape.

Parc is not unique by any means in investigating the likely shape of the electronic future - Bell Labs, Hewlett Packard and the Massachusetts Institute of Technology's Media Lab are all working on similar projects. There is already evidence that it is on the right track. Finance houses are known to inject white noise into their dealing rooms to stimulate the flow of adrenalin in traders working at silent computer screens.

Data broadcast in stolen card chase

Credit card, debit card and cheque card frauds cost the big UK bank and building society card issuers about £145m in 1989, an increase of about 45 per cent over 1988. This estimate, by Bob Carter, consultant for Midland Card and Electronic Products, a division of Midland Bank, does not include losses by minor issuers or the issuers of high-street store cards.

However, a new system which uses data broadcast techniques to send information on stolen cards across the airwaves to the retailers could reduce these losses substantially. Professional card thieves use cards very quickly, often within a few hours of the theft. Current checking systems, except the case of cards used above a floor limit, are not sufficiently up to date to trap cards used in this way.

Cheque cards are not usually verified except by signature matching. In the UK there are more than 1m stolen cards in circulation at any one time, says Carter, and about 10 per cent of these will be put to illegal use.

The obvious solution would be to have each card transaction checked on line at a central system that held the list of all stolen cards. But this would be prohibitively expensive in computer time. Investigation is therefore concentrating on a system which captures information on stolen cards available at every till.

A UK company, Cardcast, is at an advanced stage of testing such a system, in association with major card issuers. It uses data broadcast as a reliable and inexpensive method of transmitting the lists.

Pilot tests are under way at three large shopping malls (Surrey Quays, in London's Docklands, Meadowhall, Sheffield and Metro Centre, Gateshead) and at several individual shops. The system covers all the major card-issuing banks except National Westminster, most card-issuing building societies and American Express and Diners Club.

The usefulness of data broadcast is that its transmission costs very little when compared with on-line transmission. Data broadcast can be by one of three media: FM radio transmission, terrestrial television (the BBC/ITV networks in

the UK) or satellite television. The information is carried in spare bits of the signal.

Cardcast has chosen the BBC's Datacast system, the terrestrial system which it feels is currently the most reliable and the least expensive. Satellite broadcasting might be used in a few years' time.

Datacast uses the six spare lines in the CoStar BBC 2 signal. When a credit card is notified as missing, a message is sent by direct line from the issuer to the Cardcast computer. After reformatting and converting, it is then sent, again by direct line, to the BBC, where it is immediately transmitted over Datacast to the test sites. The whole procedure takes a few seconds.

The information is then decoded and is available, through a controller (receiver and memory) installed at the retail outlet, to a terminal at each point of sale. The till operator swipes each card presented and receives an indication of its validity in 0.25 seconds. The response will be red (if there is a problem), amber (card is not recognised) or green (all clear). The card will have been cleared against more than 1m stolen cards.

There are 300 points of sale at the test sites and so far more than 100 stolen cards have been recovered. "This may not sound like many," says Carter, "but remember that the first installation was only made a few months ago and that there are nearly 1m retail points of sale throughout the country. In addition to card recovery, there is an important deterrent effect which benefits the entire card industry. A card crook is far less likely to operate if he knows he stands an increasingly likely chance of immediate apprehension."

There are no technical problems to prevent the widespread adoption of the Cardcast system, says Carter. National Westminster, however, has so far declined to take part in the tests. "We are always searching for better methods of fighting credit card fraud," says a National Westminster representative. "But we are extremely concerned that Cardcast is the right answer. Let's wait and see."

Bruce Andrews

MANAGEMENT: Marketing and Advertising

Muscovites detect consumer symbolism

Alice Rawsthorn on Soviet reaction to a showing of British TV commercials

What does a television commercial of a cuddly Labrador puppy tugging a toilet roll look like to the inhabitants of a Moscow tower block? And what would the Muscovites make of an ad featuring a skinhead struggling to use a washing machine?

These are scenes from a selection of British commercials - for Andrex toilet paper and Persil soap powder, respectively - which were screened last autumn on Gostelradio, the largest television channel in the Soviet Union.

J Walter Thompson, the London advertising agency owned by the WPP Group, supplied a series of its ads to fill the commercial breaks in an evening of programmes provided by Central, the British television company.

The package of British programmes was watched by more than 100m people across the Soviet Union. JWP commissioned a study from CRAM International, the research company, to monitor the reaction of the Soviet audience to the ads.

Before embarking on the study, JWP had shared the stereotypical view of Soviet consumers as "credulous", "literal minded" and "comparatively unsophisticated at understanding the nuances of advertisements. In short, it had expected the Soviet televisioners to respond to commercials in much the same way as did their British counterparts 25 years ago.

Instead the study showed that the Soviets were surprisingly astute at understanding the language and symbolism of advertising, even the comparatively complex commercial messages that are created for the British television audience of today.

Whereas British consumers tend to take commercials for granted, the Soviet audience was intrigued by them and watched them much more carefully.

Similarly the Soviets were more inclined to scrutinise the ads for hidden meanings or symbols, possibly because they became used to doing so in censored press and

television reports. It should be noted, though, that CRAM concentrated its research among the likeliest targets for Western products in the Soviet Union: the young, urban consumers who tend to be more affluent and better educated than their rural counterparts.

The most popular commercials among the Soviet audience tended to tell "human" stories. A romantic ad for Black Magic chocolates was particularly popular, as was a "slice of life" commercial for Swaddlers disposable nappies.

The Soviets also enjoyed ads with high aesthetic content. They were, for instance, intrigued by the image of Ireland shown in an ad for the Irish Tourist Board even though the scenes were unfamiliar to them.

Conversely, the Soviet consumers were irritated by the intrusive ads - featuring loud music or repetitive commissions - from CRAM International, the research company, to monitor the reaction of the Soviet audience to the ads.

They were also impatient with the commercials which did not give clear information about the products being advertised. JWP concluded that it would be more effective to run older, Western advertisements - packed with product details and descriptions. In the Soviet Union rather than new, less explicit commercials.

Some of the British ads were simply mystifying to the Soviet audience. An early commercial for Timotei shampoo - which features a woman strolling in the sunny countryside - was inexplicable in a society where the Arcadian myth of the country does not exist.

As for the Persil skinhead, he was criticised for his ugly haircut and loutish behaviour. One respondent described him as looking like a "stupid army recruit".

By contrast the Andrex puppy went down very well. The Soviets were "charmed" by the cuddly pup, but stupefied by the product; soft toilet paper is an "almost unimaginable luxury" in the Soviet Union.

Pistachio oil and sweet almond oil, until recently beyond the ken of even the most exotic of food freaks, now grace the shelves of 10 per cent of UK supermarkets. Part of a new range of specialty oils, they are the first fruits of a marriage of convenience between two companies which were independently seeking an escape from the commodity trap.

The International Collection of 10 specialty oils was launched last summer by Princes, the Liverpool-based foods company which has been owned since early in 1989 by Mitsubishi Corporation, the Japanese trading group.

For years, Princes had been looking for a way to arrest the decline of its oils and fats business, centred on Trex, the best known UK retail brand for vegetable fat used in pastry. It was a "slice of life" commercial already introduced a solidified sunflower oil and a "light fry" solid cooking oil to replace lard, but there was no escaping the fact that Britons, along with other Europeans, would continue to reduce their consumption of edible fats.

Princes needed to make higher margins from lower volumes. It had settled on specialty oils as one means of achieving this, according to Stephen Clegg, marketing director, but it was stymied by the absence of a reliable supplier.

By coincidence, across the Pennines in Hull's King George Dock, another company was considering a similar dilemma. Anglia Oils, established in 1982 to refine Malaysian palm oil for the UK market, realised that it needed to move on from the initial success of low-cost, high-volume operation.

Its greenfield entry had helped to galvanise the UK oils market. Anglia, a subsidiary of Aarhus Oliefabrik, a Danish specialist in cocoa butter substitutes, had concentrated on developing higher value products like long-life frying fats. It emphasised rigorous quality control and flexibility in meeting customers' delivery requirements.

The pursuit of diversification led to the purchase of Procter & Gamble's UK industrial shortening business, the main brand - Prep, a single life frying product, and Whin, a margarine equivalent - were later sold to Associated British Foods. Anglia retained the plant and installed it at Hull.

But Anglia, like Princes, could not escape the reality of a shrinking market. Despite its modern low-cost operation, there was little prospect of

Clay Harris explains how edible oils have found a market niche

A marriage of commodities



greatly increasing its joint-stock UK market share against the likes of Britain's Acates & Hutchinson, Carrill and Archer Daniel Midland of the US and the Argentine Bunge & Co's Beeco subsidiary.

Anglia spotted the potential of specialty oils in 1983, and turned to Andrew Laddis - who at that time was running a maize mill in Hull for Harrison & Crofield's Pan's foods division - to investigate the subject further.

Laddis travelled the world for Anglia, noting every specialty oil producer he could find, no matter how small.

He discovered a highly fragmented market, in many cases only on the level of a cottage industry. France alone, for example, had 82 walnut oil producers but only half a dozen at most were large or efficient enough to export.

Laddis concluded there was a gap in the market for a company which could supply a wide range of specialty oils, and guarantee consistent quality and availability. He then joined Anglia as business development director.

But there was one key element missing. Before Anglia committed itself to investing in the small-scale crushing and refining capacity for specialty oils, it needed a customer.

According to Laddis, Anglia knew it did not have the expertise to market a consumer brand. A session with Princes

will have to carry the burden of selling. But Princes has decided against making too much of the Trex name. It appears only in small print on the label, more to convince retailers stock them than to persuade customers to buy.

"It's an endorsement, nothing more," Clegg says. Anglia does its own unofficial marketing. When he dines at the Post House hotel in Hull, Laddis takes several bottles of the specialty oils to encourage the chef to try them out in a vinaigrette or stir-fried vegetables. The deeper purpose, of course, is to pursue his hopes of winning the olive oil contract for the entire Trusthouse Forte chain.

His company's relationship with Princes does not conflict with supplying private label ranges to Tesco, for which it upgraded the quality of oils and shifted from plastic to glass bottles, and to Warwick-based Silbury Marketing which sells its Midsummer Foods oils to delicatessen customers. It is also producing an organic sunflower oil for Safeway.

"On these oils which are small volume, we can command a premium," Laddis notes. This will apply even more to Anglia's next target area: oils for cosmetic, toiletry and pharmaceutical uses. Borage seed oil, used as a nutritional supplement, is the most expensive at £20.00 a litre.

Other oils for which Anglia has high hopes are passion flower, evening primrose and gold of pleasure (*camellia sasanqua*). Seeds of the last plant, which was used as an oil crop in the 19th century, are crushed to create an oil which can replace shark-liver oil in certain cosmetic applications.

As with edible oils, Anglia leaves commercial development to other companies and concentrates on what it does best - manufacturing. But the specialty oils division devotes 25 per cent of its technical budget to development, and Anglia also foresees a role for itself as a stockholder of the rare oils.

Its relationship with customers, moreover, is far from passive. By demonstrating that it can produce these oils - and even suggesting possible uses - it hopes to create demand.

In the end, however, Laddis is willing to leave marketing to the experts, as he did with Princes. Anglia can produce evening primrose oil, and guarantee its delivery and quality, but it takes a French customer to use it to impregnate the crochets of tights. In this supply chain, *one is the difference*.

Customer loyalty

Brand names beat cheaper prices

By Philip Rawsthorne

Consumers pay more attention to brand names than to prices when they do their weekly shopping, according to independent research by the City University Business School.

Manufacturers which cut advertising support for their brands to fund discounts or to show better short-term profits therefore risk weakening their competitive position.

Such an approach - increasingly common since the onset of the recession - has encouraged consumers to switch to retailers' own-labels, the report by Leslie de Chernatony of the City University and Simon Knox of Cranfield School of Management suggests.

Consumers were prepared to pay a price premium for brands because of their perceived added values, such as those associated with buying a brand of drink that signified membership of a particular social group, say the authors. "But without significant advertising to communicate these added values, customers will become perplexed as to why they should pay a price premium and may consider shifting their buying loyalty."

The risk with customers making such a switch had been increased by the investment that major retailers had put into raising their own image through the use of design and advertising.

While Procter & Gamble was the top UK advertiser in 1989 with £63.9m spent across all its brands, Tesco spent £13.4m purely on promoting the Tesco brand.

"Retailers have developed a powerful and memorable image through their day-to-day contact with consumers," the report states. As a result, own-labels were no longer regarded as poor quality, cheap alternatives to manufacturers' brands but as good quality, value-for-money brands.

The report bases its conclusions on a study of sales of mineral water and fruit juice at Sainsbury, Tesco and Safeway stores in the London area. The products were chosen

because of the contrast in advertising expenditure. The spend on mineral water has increased by 750 per cent in real terms from 1983 to £7.1m in 1989. Advertising of fruit juices has declined by 60 per cent over that period to £3.2m.

The three leading brands of still mineral water, Evian, Buxton and Highland Spring, and three brands of orange juice - Del Monte, Princes, and Sun Pride - were compared with similar packs of the retailers' own-labels.

In the strongly-advertised mineral water market, the manufacturers' brands enjoyed a 22 per cent price premium over the own-labels. Evian, the brand leader, had a 19 per cent share against the combined 26 per cent of the own-labels.

In the less-advertised fruit juice market, own-labels were dearer than manufacturers' brands which, overall, enjoyed a premium of only 1 per cent. Del Monte, as brand leader, had just a 10 per cent share while the own-labels totalled 63 per cent.

The study also yielded evidence that manufacturers, faced with strong own-labels, would be unwise to attempt to compete with them simply on price.

A viable low price strategy assumed that consumers were aware of brand prices, the researchers say. Yet their study showed that such awareness was low. Only 15 per cent correctly recalled the price of Evian, for example. Just under a quarter of consumers were unable to estimate the price to within 20p.

"Promotional strategies that concentrate upon new price announcements, without any other details, run the danger of being ineffective... Any price promotions should be communicated in relation to either the original price or to a competitor."

Consumers tended to overestimate the price of strongly-advertised manufacturers' brands, the report adds. Provided competitors were not advertising relative prices, that could offer scope for increasing profits by raising prices.

JOYCE LISA

PETERBOROUGH

Thursday March 14 1991

FACT FILE

Population	150,000	Typical salaries (approx)	
Destinations (miles)		Electrician	£2,300-£10,000
London	80	Fork lift driver	£5,500-£7,000
Birmingham	80	Personnel manager	£10,000-£27,000
Stansted	50	Clerk/typist	£5,000-£7,000
Dover	140	Qualified accountant	£10,000-£22,000
Rail journey time to London, King's Cross	50 minutes	Employment structure (% workforce)	
Industrial rents		Distribution	17.4
Factory/warehouse	£4.50-£8.50 per sq ft	Professional services	13.6
Offices	£13-£15 per sq ft	Transport communications	7.9
Land prices		Mechanical engineering	7.5
starting price	£350,000 per acre	Public administration	7.3
		Electronics	6.6
		Vehicles	5.7



Since 1968

Peterborough has thrived. As the economy diversified away from its

engineering base some 37,000 jobs were created and the infrastructure developed. Stewart Dalby assesses that growth and how it has been affected by the threat of recession

Facing up to the recession

A Peterborough executive recalls the time he ran his own small company in Corby, the old steel town. He had moved there purely for the subsidies on offer.

"I got a regional development grant. There were training grants, and there was help from the European Coal and Steel Community Fund. There were grants in those days, not loans as they usually are now, and they amounted to a consid-

erable sum." However, he did not like it in Corby. He found it depressing because the workforce was declining after the steel closures and communications were difficult.

He was obliged to stay for two years under the terms of the assistance. Once those years were up, the company moved elsewhere.

Stories of companies disappearing once recession strikes or subsidies run out are com-

mon to many assisted areas in the north of England, Scotland and Wales. They raise fundamental questions about the wisdom of bidding companies through subsidy to go to out-of-the-way places where economic logic dictates they should not otherwise be.

So what has been happening in Peterborough, which ceased to be a new town in 1988? Since then, the large amounts of government investment have stopped and the Commission for New Towns has been realising some of the outstanding assets created by the New Town Corporation in Peterborough, while other assets have been transferred to the local council.

Peterborough was not an assisted area as such. Companies deciding to relocate there did not receive cheap land, training aids and rent or tax holidays. But there was plenty of advice and enthusiasm from the development corporation.

However, it can be argued that the substantial sums of government investment in Peterborough acted as incentives to companies and people to move to the area.

While indirect incentives should probably not be equated with direct subsidies, it seems unlikely that, without the catalytic force of the development corporation, Peterborough would not have grown to its present size.

When Peterborough was designated a new town in 1968 after much deliberation, it had

a population of something over 80,000. A pretty dreary railway town through which the mainline east coast trains to Scotland passed, about 25 per cent of its workforce and 68 per cent of manufacturing employment was accounted for by four large engineering concerns.

Today, Peterborough has a population of just over 150,000,

and a diversified economy, including some big service companies which have relocated to the city, such as Thomas Cook, Pearl Assurance and Royal Assurance. There are high technology concerns, and the main engineering companies have survived recession and restructuring, albeit in slimmer forms.

In fewer than 20 years of the corporation's active life (although designated in 1968 it was not until the early 1970s that projects started to get going) about 37,000 jobs have been created - a net total of about 24,000 new jobs.

The corporation was responsible for building 10,000 houses on its own and encouraged the

development of thousands of others by private builders. It acquired and serviced land, developed community-related assets such as the Nene Valley park. It built parkways, or roads linking the townships to the centre of Peterborough. It was an active developer in such projects as the Queensgate shopping complex which, together with the Norman cathedral, dominates the centre of town.

Unemployment is about 6.2 per cent, but in 1989 it was down to 5 per cent. Historically, this is a low figure for an engineering town.

In all, it is estimated, that some £1bn was invested in infrastructure and development during the life of the corporation, around half of this was net public sector spending. In turn, it is thought that at least £4bn of private sector investment was levered off of companies and developers.

Now, it seems, the whole effort is being unravelled. Thomas Cook, a leading employer, is to ask its staff to accept pay cuts. Hotpoint, another big employer, has announced that 90 jobs are to go. British Sugar is to close a factory with the loss of 125 jobs. Rockwell's print machinery subsidiary made 60 redundant after cutting 180 last September. About 1.25m to 2m sq ft of commercial and industrial property is hanging on the market at the moment.

These are the symptoms of a recession which has struck Peterborough suddenly. Like a thief in the night. Almost certainly, there will be more layoffs and redundancies and this time not only the engineering companies but also the service companies will suffer.

However, there are no signs of an exodus of companies. The inquiry rate which held up well in 1988 and 1989 fell away in 1990, but is now, according to Mr Hugh West, the newly appointed director of the Peterborough Development Agency, picking up rapidly.

Perhaps companies are deciding the best time to buy or to move is when the market is depressed. Recession apart, it seems likely that Peterborough will continue to grow rather than contract or consolidate when better economic times recur.

More than anything else, further enhancement of communications should ensure Peterborough's continued dynamism. Soon, trains will run hourly to the new expanded Stansted airport.

Other towns are closer to Stansted but few share with Peterborough the scope to offer the space, the workforce or the infrastructure needed by new companies wanting to be close to the new airport. Peterborough's zest for life is likely to long outlive the demise of the development corporation.

The reason is that although government money was a necessary condition for Peterborough's development, it was not the only one. The planners knew what they were doing. Houses and factories were put in the right place. Today, there is still little congestion and plenty of land is available to expand. The town was also well promoted. Its history as well as its modernity were stressed, so that Peterborough would not appear as an unattractive greenfield site.

There was abundant labour and house prices were low. Above all, the electrification of the railway line made it possible to get to London in 47 minutes. This meant that people could commute for the first time. Peterborough, instead of being in the middle of nowhere, suddenly became part of the south-east, at least psychologically.

There was also a good relationship with the local council. The city council always co-operated fully with the development corporation. Now the council has regained control of some assets, previously held by the corporation and it is undergoing a management revolution with some heads of department being reshuffled.

Most of these factors still obtain. House prices have risen but are still cheaper than in counties closer to London. There are some skills shortages but while the country as a whole will suffer a drop of 25 per cent of people in the 16-25 age bracket by 1995, Peterborough will see one of only 13 per cent.

The new southern township seems likely to go ahead. This £500m development could add 5,200 new homes and 10,000 new jobs by 2001.

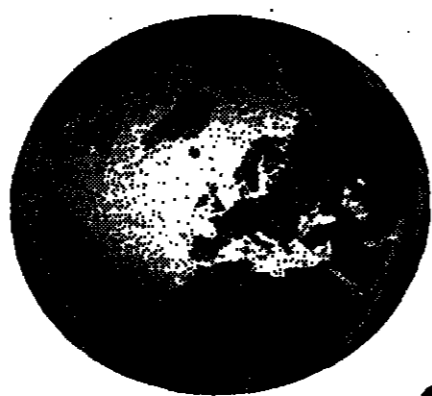
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The Norman cathedral: history as well as modernity are stressed in the town's promotion

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PETERBOROUGH 2



Gowen Lake in the Nene Valley and Ferry Meadows Park

Philip Coggan returns to the place of his youth

Even the pong has gone

GROWING up in Peterborough in the late 1930s and 1970s, I probably would have laughed if anyone had asked me about the quality of life there.

We lived in the shadows of the London Brick chimneys which covered the windows with soot and made it impossible to hang out washing. If the chimneys were not bad enough there was always the "Peterborough pong", provided courtesy of British Sugar.

As for culture, the local cinema's idea of a classic film sea-

son was to show an old James Bond movie. And the town's football team, inappropriately nicknamed the Posh, languished in the Fourth Division.

The soccer team may not have improved but when I returned after a 10-year absence, I had to admit that the city had been transformed for the better.

The city main street, which was ramshackle and congested, is now a smart, even clean, pedestrian precinct. The Queensgate shopping centre

would stand comparison with a regional American mall, which is not an attempt to damn with faint praise.

This has been achieved without spoiling the old city's pride and joy - the Cathedral. It is still possible to find a haven of peace in the grounds, only a few yards from the high street.

To a former bored Peterborough youngster, like myself, the most striking transformation has been in the leisure facilities. It seems there is hardly an activity not catered for. Bowling alleys, ice rinks, swimming pools, rowing courses plus sports centres scattered around the city area.

For those less athletically inclined, there are even a few night clubs, a rare breed in the 1970s Peterborough.

Whether this satisfies the youngsters is harder to tell. Any self-respecting teenager would pronounce "this is boring" in the middle of a nuclear assault. One resident I spoke to certainly felt there was still "not much for the older adolescent" in the town.

Perhaps Peterborough will never be able to satisfy the younger visitor entirely. The same resident, a former Londoner, was eager to return to the capital because she felt that the pace of life was too slow in the provincial town.

However, for many, the pace of life will be Peterborough's main attraction. After 10 years in the capital, I had forgotten quite how abnormal London is. Residents of Peterborough do not face an hour's journey to work in a crowded tube, or a small crawl through gridlocked traffic.

Many people live outside the city, in one of the surrounding towns and villages, and face only a short journey to the office along Peterborough's

extensive dual carriageway network.

After work, it is again only a short journey to Peterborough's country parks. Here the town planners have cleverly turned one of the old eyesores - the gravel pits dug out to make Fletton Brick - into an attractive water sports area.

My admiration for these facilities is tinged with one or two regrets, however. The most attractive areas outside Peterborough are to the west and north - travel very far to the east and you reach the Fenslands which only appeal to enthusiastic geography students.

The town planners duly expanded in westerly and northerly directions. But the result was to swallow up some rather attractive villages into an amorphous entity called Peterborough. It is almost as if London decided to improve its image by annexing the Cotswolds.

This expansion has meant the addition of new housing complexes in old villages. However hard the architects try to ape old style, a new house always looks like a new house. To the old residents, the village looks spoiled, although, of course, to a new arrival, they probably still look like attractive places to live in.

There is still probably a split between old and new Peterborough. My cab driver, born and bred in the city, said he had been before the arrival of the development corporation. He pointed out that the Queensgate centre had forced out many of the small shops that had previously earned their living in the area. Indeed, it was said to see Sheltons, the main department store when I was young, had closed down.

Most of the new residents seem very enthusiastic. Those financial services companies which have relocated to the town, report that the staff that moved with them have tended to stay.

The city will never be able to offer enough to the "culture vulture" from London. But it does have a theatre by the river, the Cathedral holds regular concerts and there is even a new multiplex cinema.

My conclusion after a brief nostalgic visit was that Peterborough's changes had undeniably been for the better. Even the pong has gone, because British Sugar has stopped its manufacturing operation in the town. If only they could do something about that football team.

WHEN Peterborough ceased to be a new town in 1988, the development corporation was split into two parts. The Peterborough Development Agency was established to ensure that investment continued to flow into the city. The Commission for New Towns added Peterborough to its portfolio of towns whose residual assets are being realised.

Since 1979, the Conservative governments have had a policy of accelerated privatisation of new town assets. Of the 21 new towns in England 19 are in the process of having these assets which remain in the public sector sold off.

Only Telford, which is due to be wound up in October this year and Milton Keynes whose wind up date is April 1 1992, remain to start the process of being realised. In all, some £4bn was invested in the new towns. To date, some £1.6bn has been seen from assets sales from all the new towns. During 1989-90 there was a target of £317m for asset sales and in the event some £388m was realised.

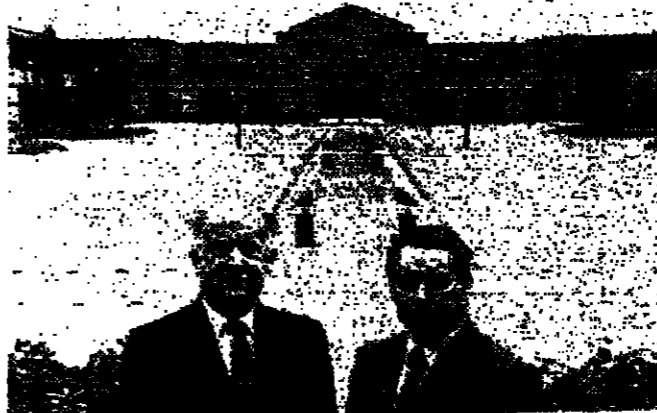
It hardly looks as if the government is getting an adequate return for its money. But the figures are not really true ones - the process is ongoing but more importantly, much of the investment is not recoverable.

The new towns corporations, like their successors the urban development corporations, spent money not only on providing infrastructure, roads, sewerage, houses, schools, and hospitals but also community facilities such as parks and other recreational areas.

The rationale for the spending is that without public sector pump-priming, the private developers would not be interested in projects because the abnormal cost of putting in infrastructure would cancel a normal commercial return. Once a town or city is self-sufficient in terms of development, in that private developers or industries would invest without help or aid, then the public money can cease and planning powers restored to the local authorities.

Thus, in the 1970s, private house builders or factory or office developers were not particularly interested in Peterborough until the corporation started to invest money. With most of the planning powers normally vested in the city and county councils given to the corporation, it put in roads, built houses, schools and factories. It developed shopping centres and community-related assets such as parks.

It has been estimated that



Ken Hutton (left) and Hugh West, leaders of the development agency which replaced the development corporation

The development corporation

Council plays a crucial role

over its 20-year life the corporation, which was set up in 1969, has been an important factor in the smooth and balanced growth of Peterborough.

In other cities, relationships between government corporations and local government have been a impediment to development and have deterred potential investors.

The council is busy at the moment, but in the past it has been Labour controlled. But it has never been at odds with the corporation. Mr Samuel says the corporation will continue. The council is closely involved with the agency in attracting new investment.

The managerial revolution which the city council is undergoing seems unlikely to affect the relationship. Peterborough is a special case, a number of department heads at the city council, this close relationship has been an important factor in the smooth and balanced growth of Peterborough.

Mr Samuel says the corporation will continue. The council is closely involved with the agency in attracting new investment.

Stewart Bailey

the city council are being reshuffled.

As for the assets which are not community-related or houses, Mr Paul Way, the director in Peterborough for the Commission for New Towns says there is about 2,500 sq ft of commercial/industrial space on its books. Of this, some 500,000 sq ft is office. This branch of the CNT still receives 17.5% in revenue, mostly through rents and in 1989-90 spent about £1m.

There are some 127 acres of serviced land designated for industrial/commercial use and about 100 acres of housing land. There are some 500 acres of what might be called cultural or undeveloped land on the books.

In 1989, the CNT realised £25m in assets sales and in 1990, £21m.

Executives say that the CNT drives hard bargains. Rents are put up to market rates when reviews come up and land is sold at the market rate. In 1989, fully serviced industrial land was sold at £250,000 an acre.

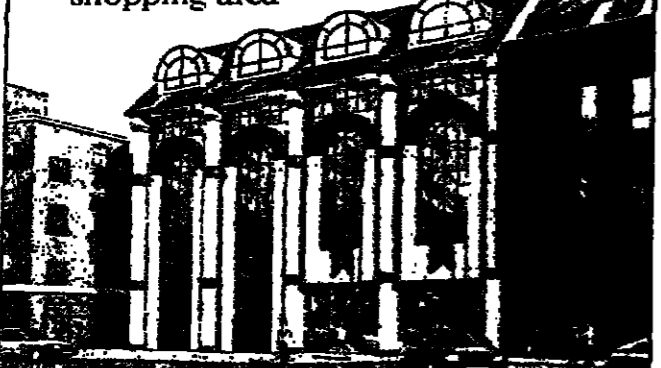
It is unlikely that Mr Way is driving any hard bargains at the moment. One executive says he would be surprised if land was fetching £250,000 an acre. Mr Way disputes this figure. "I don't think you can say this is the going rate. The market is stable at the moment, there is no dumping it. But it is like saying a house is worth £200,000. If there is no market and you can't sell it then it is not worth £200,000 in practice."

Mr Way denies that the CNT is keeping land and properties off the market waiting for better times and prices to pick up. "We are doing deals on an on-by-one basis and different properties fetch different prices. Some companies feel that the recession is the best time to move because bargains are to be had."

Stewart Bailey

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It must have been that I was reading a murder thriller by D.D. James at the time. As I sat in an empty, echoing hotel which would normally be full of chattering businessmen, I came to think of recession hitting Peterborough like a serial killer.

"British Sugar lays off more people," said one headline. "Hotpoint lets 78 people go," said another. Thomas Cook announced it might ask staff to take pay cuts. Where would recession, operating in the bleak mid-winter month of February when snow made rail and road communications bad, strike next?

Not, it seems, at the large engineering companies with which Peterborough was once exclusively associated. It might wound them in the sense of causing lay-offs and shorter working weeks. But it is unlikely to prove fatal for companies such as Perkins Engines, Peter Brotherhood and Hotpoint.

The reason is that these companies went through a painful shake-out in the recession of 1981, and are much fitter than they were.

Perkins Engines, a diesel engine manufacturer, has been in the city since Frank Perkins made his first engine in 1932. Perkins, owned by the US Varty Group, is the town's largest manufacturing employer with 3,200 people on the payroll.

Mr Richard Allen, managing director, is not happy about the recession. "I have been with the company for 20 years, in France in Canada and here. With inflation, interest rates and the Gulf War. This is the most uncertain time I can remember," he said in an interview given before the end of the Gulf War.

Diesel engines are an extremely competitive field and the company works on very tight margins. However, he said that in view of this uncertainty the 10 years of painful restructuring had not all been for nothing. "We are much leaner and meaner than we were 10 years ago."

Perkins, he said, was making profits but he doubted whether any other big players operating in the same range of engines were.

Turnover by value was \$1bn last year. This represented a doubling since 1985. Of this, Peterborough accounted for \$625m.

The company dispatches 400,000 engines each year either complete or in kit form for assembly by more than 16 licensees. It has more than 4,000 distribution outlets to 600



Philip Salisbury, managing director of Peter Brotherhood: 'We've had our shake-out'

Engineering and the recession

The lean, mean fighting machine

OEMs (original equipment manufacturers.) About 80 per cent of what it produces is exported, some 50 per cent directly.

Increased sales of its engines, which have a wide range of applications from marine to the prima which goes into motor cars, are gratifying. It has been on the costs side of the operation where the benefits of the restructuring can best be seen.

About 10 years ago Perkins was vertically integrated and

The 10 years of restructuring had not all been for nothing

employed 10,000 people. It made large investments in extending its range and in automated cylinder head production and block production. It has also invested in training.

The company has won several awards for multiskilling, which means that staff need never be idle. Some 2,000 of the workforce are hourly paid workers which gives flexibility in working.

Average inventory turnover is now 12, which is to say inventory is turned over once a month. It used to be four which meant the company had money tied up in stocks it was not using. The company has slimmed down the number of suppliers to 270 from 470, while extending the range of components which are bought in.

Mr Allen declined to say whether there will be any lay-offs or short-time working. Certainly the overtime for the

hourly paid workers seems to be in jeopardy if the recession gets any worse. Sales for the current quarter are holding up at the level of the last quarter.

Mr Philip Salisbury, the managing director of Peter Brotherhood, another old-established engineering concern does not share the view that now is the most uncertain time the engineering industry has faced.

"We've had our shake-out. Now it is the turn of the service companies," he said.

The company's turnover, which was £22m last year, divides into one-third steam turbines for marine and industrial applications, one-third gas compressors for petrochemical and process industries and one-third special purpose machinery built to customers and joint design.

The company's story has been one of ending vertical integration and increasing productivity. Ten years ago the company employed 1,700 people and did everything itself. Today, it has just over 400 workers and buys in over 90 per cent of components. Productivity measured in terms of output per person has increased threefold.

Mr Salisbury is not entirely convinced there will not be lay-offs. He is looking for turnover of £18m this year. If it slips to £15m, he might have to reconsider.

"We will find it difficult to maintain margins at that level of demand," he said.

He said he was extremely reluctant to lay anyone off because when things were going well a couple of years back the company began to



Richard Allen: uncertain times

find it difficult to find skilled workers.

"Engineering companies are better at managing recession than they are at riding a boom. Costs can rise during a boom because you cannot get the labour," he said.

Hotpoint, a third well-known Peterborough engineering company recently laid off 78 workers. This was due to adverse trading conditions, according to the company. Hotpoint is in consumer engineering, where the recession has been severe.

The company hopes that there will not be anymore redundancies. It has increased its output and market share substantially in the past 10 years. Staff levels have risen from 1,300 people to 2,000. The company is hoping that the worst is over - like Perkins and Peter Brotherhood, it is much leaner than it was.

Stewart Dalby

APART from the residual assets which are in the process of being realised by the Commission for New Towns, all that is left of the Peterborough Development Corporation is the Peterborough Development Agency.

The development corporation had been particularly good at promotion. Its publicity had emphasised that Peterborough was an old town stretching back to Roman times and had a Norman cathedral. (The Roman link is rather tenuous since Peterborough was not an important settlement).

However, advertising the town's antiquity made the point that companies would not be moving to completely green field sites in the middle of nowhere.

When the development corporation started to be wound up in 1988, it was felt there was a continuing need for promotion to attract more companies. The PDA was born but it was decreed that it would not be funded directly by the government.

For the first three years it has been paid for largely by the local government councils with some private sector support. It has recently had its mandate renewed for a further three years but on a reduced budget. It is now run on about £200,000 a year from a mixture of public and private sources.

The agency has a small specialist six-member team. Unlike its predecessor the Peterborough Development Corporation, the agency has no land, property or building function.

What it aims to do is foster economic growth for the region generally, and, specifically, develop programmes which will make companies aware of Peterborough and what it offers. After the successful advertising campaigns of the development corporation most businesses in Britain, and many abroad, have heard of Peterborough even if they could not say exactly where it is.

Following up this awareness of Peterborough the PDA has attempted to display the virtues of the town, by stressing that there is labour availability and that houses are still reasonably cheap. It has also tried to demonstrate that there are factories and offices which can be occupied quickly.

Once businessmen are interested, the PDA asks them to visit, makes sure they are accommodated reasonably in good hotels and then puts them in touch with developers and landlords and local groups



The interior of the Queensgate shopping centre

Stewart Dalby looks at the development agency

Promotional dividends

such as the Chamber of Commerce.

Until recession struck in the second half of 1990 the PDA appeared to have kept up the level of interest since the demise of the development corporation.

Measured in terms of square footage actually to start on site, 1988 was a busy year with 900,000 sq ft started (400,000 sq ft for industrial and 500,000 sq ft for commercial use.) In 1989, there was 600,000 sq ft started (300,000 industrial and 300,000 commercial). In 1990 things began to slow down. There was only 100,000 sq ft of new industrial space started. The figures for commercial starts are not available but it is thought that developers have been very active in this field.

Evidence of the slowdown is shown by the level of enquiries. Between June and December 1988, there were 280 enquiries. In the January to June 1990 period there were 326 and in the six months from June to December 1990, the level had fallen to 184.

The agency has estimated that Peterborough accounts for 28 per cent of employment in Cambridgeshire. In the 12 months up to June 1990 over 800 new businesses were established in the county including 200 in Peterborough. About 80 per cent of these were in the service sector and 14 in manufacturing.

A PDA report said that out of 360 Peterborough organisations, 25 per cent were identified as expanding operations.

Over 60 per cent were service companies and 30 per cent manufacturing. In particular, in 1990 Pearl Assurance was actively developing its new headquarters on a Peterborough business park.

Against this, the city accounted for 127 business closures last year, 23 per cent of the county total. These were balanced between manufacturing and service sectors. Half went into liquidation, and the other half moved.

The recession has certainly caught up with Peterborough. Since these PDA findings were announced other companies have announced lay-offs and shorter working weeks. Unemployment has crept from a low of 5 per cent in the middle of 1990 to about 6.3 per cent. The jobs columns in the local newspapers are beginning to thin out.

Mr Hugh West, chief executive of the PDA, admits that the situation is bleak at the moment. He says there could be as much as 2m sq ft of industrial and commercial space on the market. But he says that none of the developers have stopped building. There has recently been an increase in enquiries particularly for the four headquarters buildings available in Peterborough.

Mr West does not discount the possibility that more companies will follow the lead of Pearl Assurance and make their headquarters in Peterborough, when the climate improves. But he feels that the medium term will see some consolidation.

One of the deterrents to big companies going to Peterborough in the old days was that there was no infrastructure, says Mr West.

"There were no printers or PR companies or catering concerns. Now you are seeing a fleshing out with these kinds of companies setting up," he says.

One area which is growing is

computer software design and services. Link Control Technology was started just over two years ago by three friends. It specialises in designing and supplying control systems technology to the engineering industry.

It acts as agent for Mitsubishi computer hardware. Mr Mick Grange, director, says the company employs eight people, has a turnover of £750,000 and is expanding.

It is looking for more staff and Mr Grange says he has had little trouble finding them in Peterborough.

Grabert Systems, a German company which is a world leader in AutoCad computer aided design, has a similar story. Mr John Glesinger, the managing director who started the British arm of the company in Peterborough a little over 18 months ago, says it employs 13 people. It is looking at turnover of £2m and seven more employees in the next year.

Mr Glesinger says that business is building up easily and he is not finding it difficult to recruit people with the right skills.

A company which really hit the bullet of recession was EXS Data Systems, a small start-up company which began business at the start of this year.

The company was formed by three ex-employees of Thomas Cook, the travel company, it is a sub-contractor to companies using computers. The company has some £90,000-worth of work this year from Thomas Cook.

Mr Gordon Hopkins, one of the partners says the company's business plan was drawn up in full knowledge of a pending recession. They are confident, he says, there will be enough work to see them through.



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PETERBOROUGH 4

COMMUNICATIONS AND ATTRACTIONS

Fast rail link ends isolation

ANYONE WHO struggled up from London's King's Cross station to Peterborough during the bleak snowstorms of last month could be forgiven for refusing to wax lyrical about the wonderful communications that the Cambridgeshire city has with the capital. The train trip took three hours of waiting and stopping and starting.

But bad weather, like recession, is a temporary phenomenon. In normal times trains go through Peterborough every half hour. The quickest journey time to London is 47 minutes.

It was the establishment of this fast link a few years ago that ended the city's isolation and dispelled the notion that Peterborough was in the mid-

dle of nowhere and thus unsuitable for industrial relocation.

Terence Bendixson, in his book "The Peterborough Effect, Reshaping a City", makes the point that in the early days of the development corporation (it was established in 1968 but did not really get going until the early 1970s), developers would be invited to visit. They would shake their heads, and say Peterborough would never achieve lift-off. The town was not rounded enough as a community and like, say, Norwich it was something of an island of population.

The perceived isolation did not deter companies from relocating to Peterborough. They were drawn by the cheap hous-

ing (the development corporation itself built thousands of houses) and the availability, unlike Cambridge, of land, factories and offices at a moderate price.

But it was arguably only with the establishment of good communications with London that the city began to achieve

If rail connections were crucial, the weak link was the roads

critical mass, to use the jargon of the planners.

The fast trains meant that people could commute to London. Today around 3,000 people travel daily to the capital compared with only 500 who felt equal to the struggle in the early 1980s. This has had the effect, psychologically at least, of pulling Peterborough into the south-east. It is no longer an old railway town somewhere up in the north but as much a part of the south-east as Hertfordshire or Oxford.

The development corporation was set up not that Peterborough could grow to become a dormitory town for London, but so that it would provide jobs of its own. The short journey time meant that elsewhere in the UK, chief executives and managers started looking to Peterborough. It is they, after all, who make the relocation decisions.

Although many companies want to move from London, because of the cost of offices and the shortages of staff, few want to move too far away. Insurance companies, for example, could in theory have their back offices wherever labour is available because of improved technological links. Unlike manufacturing concerns, they do not have to

move goods around all that much.

However, the managers say they need to be within striking distance of London, because that is where the actuarial and marketing skills are. Companies considering a move often used to draw a ring around London, beyond which they would not stray. Thus, original relocation destinations were Swindon and Bristol to the west because of the M4 and the fast trains and Milton Keynes to the north because of the M1 and the trains.

But when it became possible easily to get into London and home again within a day for a business meeting, Peterborough became established as a relocation centre in the eyes of many executives. Mrs Chief

Executive also played her part in the process. The fact that she could live in a nice house in the country but still get into London for a shopping trip, a theatre visit or to see her children made her willing to move to Peterborough. The important part she plays in relocation decisions has often been overlooked.

If the rail connections were crucial to Peterborough's growth, the weak link was the roads. The north-south route was all right since the A1 joined up with the M1 and Cambridge and then the M25 London orbital.

East-west routes, however, were not so good because of the lack of a tie-up between the M1 and the A1. That is now being put right with the A1-M1 link. At the same time, the A1 is being upgraded. This should make traffic from the Midlands to Peterborough and beyond to the east coast ports a lot easier.

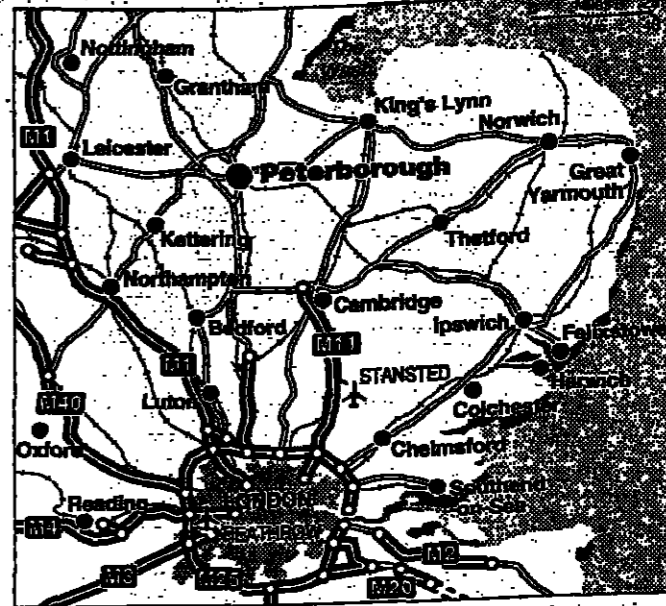
The rail station is also to receive a lift since Peterborough is to become a mainline

Eurocity connection point between Leeds, Edinburgh and King's Cross for Eurotrains to Brussels and Paris via the Channel Tunnel.

Trains will also leave hourly for Stansted when the new terminal opens soon.

So, communications to and from Peterborough appear to be improving all the time. There is the added bonus that travel within Peterborough is easier than in most towns of comparable size. When the development corporation was expanding the city, it did so by grafting new parts on to the old city, but also by building up the three townships of Werrington, Bretton and Orton. These centres are connected by a system of parkways.

Today, although the population has nearly doubled in 20 years, Peterborough is largely free of traffic jams, apart from two short periods in the mornings and evenings. Until a year ago, it was easy to park a car in most places. Now the car parks at the station and the Queensgate shopping centre



are often congested. That problem may be alleviated when the station is expanded. But compared with such towns as Cambridge, Reading or Bristol, Peterborough is easy to move around in. This is a great plus point.

Stewart Dalby

PETERBOROUGH



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Philip Coggan looks at the service sector

From factories to offices

OVER the last 20 years Peterborough has turned from a manufacturing based town into a service town.

When Peterborough youngsters thought of a career in the 1970s, they instinctively considered the local engineering companies such as Perkins or Peter Brotherhood. Nowadays their minds turn to insurance.

The change has not been that surprising since the development corporation pursued a policy of building offices to attract employers. But it has subtly turned Peterborough from an outlying Midlands engineering town into an outlying Home Counties office-dominated suburb; from one of the most marginal constituencies in the country to one with a healthy Tory majority.

The trend probably began in 1974 when Pearl Assurance set up its national computer centre in the city.

Pearl is building a stylish 400,000 sq ft head office in the outskirts of the city, alongside a new development for Royal Life and an office for the Norwich and Peterborough Building Society, which transferred its headquarters from Norwich last year. Thomas Cook has its UK headquarters 10 minutes drive away at Thorpe Wood.

Pearl's decision to relocate to Peterborough followed a reappraisal in 1986 which decided that the old headquarters in Holborn were inadequate for the computer age.

According to Pearl's Mr Ken McKay, the insurance group looked at 30 towns and cities

that might be suitable for relocation. It ended up with a short list of Bristol, Bournemouth and Peterborough.

"Bristol had received a major wave of banks and insurance companies which would have made recruitment difficult," says Mr McKay. "Bournemouth lacked a sufficient pool of labour and had relatively scarce and expensive housing."

Because of the computer centre, Pearl had been recruiting in Peterborough and was satisfied with its workforce. "We had to move to a place that met staff and business needs," says Mr McKay, and Peterborough fitted the bill. He reports that almost all of the 500 staff that the group brought from London have stayed in the city.

Mr John Donaldson of Thomas Cook says that when the travel company first moved to the city, it was lured by the low salary and property costs.

"There is a superb pool of local labour," he adds "and we have not had any problem recruiting top people without paying inside M25 salaries."

Thomas Cook's view is shared by many others; 90 per cent of employees surveyed by the development agency thought Peterborough an appropriate business centre for their organisations.

Costs are competitive; a study by Dickens Watts and Dade, estate agents, in April 1990, found office rent and business rates were £17.30 per

sq ft in Peterborough, compared with £26.50 in Milton Keynes and £23.40 in Basingstoke.

Communications are another factor often cited by executives who are impressed by the fast rail link from King's Cross and the local network of dual carriageways. Further improvements are on the way with the upgrading of the A1 and the expansion of Stansted bringing a large airport within an hour's drive.

Ms Allyson Eggleston of Royal Life says that the company's move in 1984 to Peterborough was influenced by the "reasonable travelling time to London" as well as the low staff costs and that Peterborough was a "pleasant place to live."

The growth of service companies may have passed its peak. This recession is hitting such companies hard and Thomas Cook was recently forced to announce a plan to save £12m in labour costs, which involved some wage cuts of up to 10 per cent.

It is unlikely in the current climate that many service companies will want to risk the upheaval of moving. But Peterborough has developed enough of a services base to ensure that it should be ready to attract more businesses in the next upturn.

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CINEMA

Catatonic twaddle

AWAKENINGS
Penny MarshallTHE ROAD HOME
Hugh HudsonBLOOD OATH
Stephen WallaceCOMING OUT
Heiner Carow

"There is no such thing as a simple miracle," announces the poster for *Awakenings*. Perhaps not. But in the cinema's dealings with the "miracle-workers" of medicine, there surely used to be such a thing as a simple, honest film? Movies like *The Miracle Worker*, *Mandy* or *Coming Home* - even the recent *Rain Man* - never allowed overblown inspirationalism wholly to crush clinical credibility.

Directed by Penny Marshall of *Big*, *Awakenings* is two hours of Oscar-nominated junk in which piety and sentimentality are permitted to steamroller over the story of neurologist Oliver Sacks's experiences with a group of catatonic encephalitis victims in New York in the late 1950s.

Struck down by a sleeping-sickness virus in the 1920s, these patients settled vegetatively in hospitals for 40 years. Sacks began by establishing communication with them; then brought them back to life for a precious time with the wonder drug L-Dopa; then helplessly watched them relapse; then, years later, helplessly watched Hollywood make a film of his ensuing memoir.

Awakenings the book is a series of individual case-studies, touchingly and minutely detailed. *Awakenings* the movie is two hours of maudlin twaddle, lent a spurious kudos by the presence of two mega-stars. The work of Robin Williams and Robert De Niro is the film's only redeeming feature, and even this is sabotaged as frequently as possible by director Marshall and screenwriter Stephen Zaillian.

To protect the aesthetically innocent, Oliver Sacks has been fictionalised as "Dr

Malcolm Sayer", alias Robin Williams in a beard and an aw-shucks, absent-minded professor persona. Leonard I, the patient-prodigy who read Rilke, spelled messages on a spelling machine and rejoiced in his brief resuscitation, is Robert De Niro, the drop-jawed, out-to-lunch features of his catatonic state deftly subverted from the first by secretly dancing eyes. (His time-warped wardrobe of bow-tie and lounge-lizard jacket is subverted less happily by 1950s highlighted hair. Ah Hollywood... but what can you do?)

Left alone as they too seldom are, Williams and De Niro begin to build a little toughness into the film, like Wagner's giants raising their wall of treasure. But when they seek for the precious stone of emotional truth to close the last chink, all Miss Marshall hands them is costume jewelry.

No truck for Miss M with murky details like the enraged libido that was a tragic consequence of Leonard I's "awakening". Instead, to syrupy Randy Newman music, he is allowed a chaste and wistful crush on a young hospital visitor (Penelope Ann Miller). No truck either with the trial-and-error complexities of Sacks's quest for treatment. Instead, Williams acts as if a lightbulb keeps going on above his head. "Eureka!" his face reads every five minutes, as medical science hits another leisure-intensive jackpot.

But the ghostlike aspect of this film is its corroboration of Moral Majority values. Hands-off romance vanquishes all-too-human sex. Mother love is given a clean bill of health, even though in Sacks's original account Leonard I's possessive Ma was his main medical problem. The patients are all as clean, adorable and united as a Rip Van Winkle fan club. And we end with an inspirational address by Dr Robin Williams which cites the family as one of the four things - happily I have forgotten the others - that can save the human race.

"The human spirit is more powerful than any drug" orates Dr Robin in conclusion. What a speech. Between them, the



Robert De Niro and Robin Williams in 'Awakenings'

human spirit and family values can cure and/or prevent post-encephalitic Parkinsonism. On with that lightbulb again. Never mind Oscars: give this man a Nobel Prize.

The Road Home, directed by Hugh Hudson of *Chariots of Fire* and *Revolution*, has also come out of a coma. First seen two years ago at Cannes under the superior title *Lost Angels*, the film has since lain on a shelf giving out very vital signs. In this tale of a troubled Los Angeles teenager (played by Beastie Boy Adam Horowitz) and the help he receives in a disturbed kid's home from troubled liberal psychiatrist Donald Sutherland, neither Michael Weller's script nor Hudson's direction stop the film being as remorselessly troubled as its two main characters.

When not dealing out dialogue of the deaf psychobabble, the screenplay deals out aimed-at-the-deaf Hollywood rhetoric. "This kid needs a year in juvenile hell" (Uncaring stepfather to Adam in court). "Just once talk to me, Dad" (Adam to uncaring stepfather out of court). "The people who need real help are all on the outside running things." (Adam to audience in voice-over). No, the people who need real help made this film. Sent to a

correctional movie institute, they might learn two things: how to allow their characters to grow spontaneously rather than be genetically engineered to fit a "Society is to blame" thesis; and to let the film's subject dictate the style rather than making the style swamp the subject. Even Hudson and cameraman Juan Ruiz Anchia's few visual inspirations - the mazy grandeur of LA's storm drains, a spectacular surge of fields across which our hero escapes - belong in a movie where Expressionist abandon reigns rather than any bid to portray real socio-cultural problems.

The Australian film *Blood On the Sash* is a horse of a similar colour: hyperbole purple. At the end of the Second World War, an Australian military court tried 100 Japanese officers for the crime of killing 300 war prisoners on the Pacific Island of Ambon. Directed by Stephen Wallace, the film stars Bryan Brown (Tom Cruise's bar-mate from *Cocktail*) as prosecutor Captain Robert Cooper. He, poor man, spends the film as a kind of aural punching-bag. People keep telling him things. "The world's watching, Bob." (In case he or we doubt the global resonance of the events portrayed). "The war's over, Bob." (In case he or we succumb to anti-Jap indignation). "There is a bigger

game, Cooper." (In case his righteous anger jeopardises Allied attempts to soft-pedal Japan's guilt en route to American occupation.)

At some point during this long film, we wonder if the makers should not have put the camera down and just declaimed a set of observations into a tape-recorder. We would have been spared much bad acting, much worse scripting and the sight of Jason Donovan making a small but indelible movie debut as an apple-cheeked young soldier.

What a week. All we can suggest is that you take an extended Lent and give up cinema for the season. Or that you visit the modest but brave East German film *Coming Out*. Written and directed in pre-liberation days by Heiner Carow, it reveals the agonies of being gay behind the Iron Curtain. Philipp (Mathias Freihof) deals with one-night stands and many-nighted solitude, and with the marginalisation of homosexuals into drag shows and ghetto districts. Poor boy, pitiable tale. But Carow wields a caring camera. And in the new freedom his nation has won, all hero Philipp need now steer clear of is AIDS, a common-or-garden homophobia and Dr Robin Williams promoting family values.

The Lulu Plays

ALMEIDA THEATRE

Two corpses litter the stage at the end of this production of Frank Wedekind's *The Lulu Plays*. One of them has been there for some time. Lulu herself has just been killed by one of her customers somewhere in the upper wings. Her murderer wipes the blood from his hands on the tattered portrait of the once beautiful girl. He seems to have struck because she has such lovely lips. In the course of the 3½ hour performance, there have been several other killings. It is just that the incidence steps up towards the end by which time the remaining living characters have left the scene or been forgotten.

One does not want unduly to criticise the production, though it has its faults. The main problem is that Wedekind has lost his power to shock. When the *Lulu Plays* were first performed at the end of the 19th century, they must clearly have come as a surprise. They involve murder, just and less than. Today, however, they come across as straight melodrama.

It is true that the tone darkens as the pieces go on. There are two plays: *Earth Spirit*, which ends with Lulu shooting her principal lover, and *Pandora's Box* in which Lulu escapes from prison but finds herself almost permanently on the run, making what money she can from prostitution.

There is plainly an element of satire at work here. Some of her rich contacts invest in shares called *Jungfrau*. They crash.

Thoughts of Oscar Wilde's *Dorian Gray* also come to mind: hence the significance of the portrait of Lulu. *Earth Spirit* starts in the studio where it is being painted. In *Pandora's Box* she asks to see it again as soon as she comes

out of prison to remind her what she must look like by the end and it is recovered, but symbolically blood-stained.

The biggest fault comes from Ian McDiarmid who directs and also mistakenly plays Dr Schön, Lulu's lover, in *Earth Spirit*. McDiarmid shouts almost incessantly. Mercifully by *Pandora's Box* he is out of the text, but his influence on the production is not helped by the melodramatic platitudes of the dialogue.

Lulu, played by Joanne Whalley Kilmer, is a puzzle. She is a very good actress who takes the part from vivacious young girl through Gypsy Rose Lee to a touch of Mother Courage. Yet it is hard to see any character development. Possibly she is just consumed by sex, and that is the point of it. The result is a performance of some historical interest, but not much more. Given the material, not much more could have been done save perhaps lowering the volume.

Belinda Lang catches the frustration of the lesbian Countess Geschwitz. The sets as usual at the Almeida are work, but clear and impressive. What Wedekind would have favoured something far more sumptuous to emphasise the decadence.

Alastair Macaulay

Joanne Whalley Kilmer

Malcolm Rutherford

Second Stride

RIVERSIDE STUDIO

The latest piece by Second Stride, its two-act *Lives of the Great Poisons*, may also be its last. It is hard to watch it without being swayed by the knowledge that the Arts Council has deemed fit to cut its grant and give it six weeks to close. I will return to this subject.

Lives of the Great Poisons illustrates very clearly why Second Stride makes the jumbles on the Arts Council's dance panel nervous. It is more controlled by Churchill's writing and Gaudin's music than by Spink's choreography. It is more music-theatre than dance. Obscure, clever, literary, these adjectives sometimes apply. It has some longeurs, some irritating trends of thought and some weak patches.

But of the work I've seen by Second Stride (i.e. most) - and not counting its thrillingly innovative contributions to such opera stagings as ENO's

Macbeth and Opera North's *The Trojans* - this is the finest since the haunting 1994 *Further and Further into Night*. It has moral force, implicit wit and disturbing ambiguity; its episodes lodge in the mind.

The three great poisoners presented here are Dr Crippen, Medea (and after an interval) Mme de Brinvilliers. The actor Pearce Quigley plays Crippen, Jason, and Sainte-Croix (lover to Mme B.); the soprano Angela Tunstall plays Cora Crippen, Medea and Mme de Brinvilliers. Dancers and singers play supporting roles, including recurring Chorus of Poisons. As often with Second Stride, there are suggestions of alter egos, and - with song, speech, mime and dance - different layers of the psyche.

Cross-references and parallels between the three stories are subtly woven in, and the multiple role-playing hints wonderfully at connections between killer and victim and

between observer and accomplice. The most objectionable and cheap - albeit environment-friendly - aspect is the cross-weaving of a fourth story, that of the industrial chemist Midgeley - inventor of those poisons of today's work, leaded petrol and CFCs (played by the actor/singer Michael O'Connor). The idea that Midgeley is the heir of history's great poisoners is tacky, and yet he's finely threaded into the fabric. As chum and confidant of Crippen, Medea, Mme de Brinvilliers, he's a dune bunnier, he invents himself an innocent accomplice of each poisoner - moving in a strange duet with Mme de Brinvilliers. He repeats "Don't kill me," "Don't betray me" and "Don't let me go," and the numberless repetitions build up suggestions of vulnerability, need, trust and secrecy.

Alastair Macaulay

Don Cherry

JAZZ CAFE

Harmolodics via a doussoun'gouni, a six stringed bow with a calabash soundbox from Mali, sounds challenging. Not in the hands of exotic pianist Don Cherry, whose rambling grooves have been at the vanguard of jazz music since he and Ornette Coleman first presented the new form of improvisation 30 years ago.

In essence, harmolodics allows all musicians in an ensemble to play an equal part in the music - the traditional barriers between rhythm section and soloists are broken down. Don't be frightened, you can still hear what's going on; it just sounds looser and the melody (and the rhythm, for that matter) is less easy to track down.

Don Cherry's Multi Kulti, an amalgam of his famous pocket trumpet among other instruments, plus electric bass, piano, sax and drums is far

from stressful. After a shambling start, Cherry sitting and picking impulsively from an array of instruments, which also includes flute, melodica and keyboards, the band uses the first number to come together. "There are no endings, no beginnings. Life's like that," he comments, gets down from the table and trundles the band into "Why don't we go for a walk up the mountain".

While there is no leader, harmolodically speaking, Cherry's ethnocentric musings are mostly the centre of attention. But the strangled blowing of the pocket trumpet and melodies are given a jazz bounce by the electric bass. Earl Freeman while Joshua Jones drums keep it swinging for more obstinately tuned mainstream ears.

"And then the rain came", a composition from pianist Peter

Appelbaum, who is also the tenorist, ties up all the elements of Multi Kulti. Commencing with a spiralling piano theme from Appelbaum, Cherry cuts in with some blue notes from the melodica. It is a fitting township sort of refrain, further atmospherics provided by Appelbaum's deadpan talkover and closed by eccentric scatting from Cherry. It is easy to see why he has been so successful in his work with children and teaching - his enthusiasm is itself engagingly childlike. Add to that his worldliness - he is a tireless explorer of world music - and you have the sort of performer who can hush an otherwise noisy club with the six whispering strings of a doussoun'gouni without creating a churchlike atmosphere.

Garry Booth

Yevgeny Olegin

TEATRO LA FENICE, VENICE

Italian opera houses lead private lives that often are as dramatic as any of the ones they stage. The track of who's up and who's down is full-time occupation. Down, at the moment, are the Rome Opera (a chronic, if not desperate case) and, alas, the sad and beautiful Teatro San Carlo in Naples. The Florence Comunale's condition seems terminal: productions have been moved to the inappropriate Teatro Verdi and there is even talk of demolishing the Comunale altogether.

On the positive side, La Scala manages to maintain a sometimes uneasy supremacy, the Comunale in Bologna - through several changes of administration - continues to devise interesting seasons, and there are often worthwhile productions in the smaller provincial houses like Parma, Reggio Emilia, Treviso, and Trieste.

For several seasons the Fenice in Venice was on the endangered list. It was a saddening experience to visit that enchantingly pretty house, rich in historic associations and important personal memories (there I attended the first staged production of Prokofiev's *Flare Angel*, the world premiere of *The Turn of the Screw*) only to hear a listless, scratchy orchestra, a virtually numbing chorus, under-rehearsed singing.

But over the last years or so, things seem to have taken a decided turn for the better. The artistic director John

Fisher has been in office for almost two seasons and authoritative his imprint is now visible (and audible). He has astutely appointed a committed chief conductor, the Yugoslavian Vjekoslav Sutej, and has brought in new artists, forged links with other houses (two of this season's productions, *Semele* and *Capuleti e Montecchi* are coming from Covent Garden), and generally has inspired a new vitality in the house - just in time for the Fenice's bicentenary in 1993.

The month's new production, a huge success, is indicative: a *Yevgeny Olegin* conducted by Sutej with idiomatic fluency and staged perceptively, confidently by Andrej Serban; handsome sets were designed by Chloe Obelensky and appropriate, idiomatic costumes by John Bright. A mostly young international cast was perceptively chosen in the first act. The voice is both strong and sweet; hers is a name opera-lovers should bear firmly in mind. As her sister, Margarita Zimmermann delineated a contrasting, less thoughtful character. Gillian Knight created an alert mother and a properly stiff hostess, while Nucci Condò was a solicitous, warm-voiced Nurse.

In the title role, the Russian baritone Dmitri Hvorostovsky - who has already attracted considerable attention in Britain and in the US - was making his Italian debut. It was a success, but

clear that Tatiana was never going to enter the house and go to bed; but everything moved so naturally that any initial objection was soon forgotten. In the last act, it was less acceptable to have Tatiana, now a great lady, receive Olegin in a kind of passage-way outside the ballroom (again a scene-change was saved). Here, a sense of enclosure and privacy was more urgent. The spectator could not help fearing the sudden arrival of a butler - in that grand household - who would interrupt the crucial, final dialogue.

But the excellent acting of the 25-year-old soprano Lucia Mazzaria Scanduzzi (a Fenice discovery) maintained the tension. Though of ample form, this young artist moves with grace and, in the last act, she assumed a convincing maternal dignity just as she had displayed a tender girlish impulsiveness in the first act. The voice is both strong and sweet; hers is a name opera-lovers should bear firmly in mind. As her sister, Margarita Zimmermann delineated a contrasting, less thoughtful character. Gillian Knight created an alert mother and a properly stiff hostess, while Nucci Condò was a solicitous, warm-voiced Nurse.

In the title role, the Russian baritone Dmitri Hvorostovsky - who has already attracted considerable attention in Britain and in the US - was making his Italian debut. It was a success, but

he might have made a stronger impression in a more traditional dramatic role. He is a handsome young man and he has a splendid, beautiful voice; but he is not - or, at least, not yet - an actor. He showed very little of the world-weariness Olegin should have in the first act, and his passion in the final scene was more operatic than tragic. But despite his conventional gestures, he was always agreeable to watch and enjoyable to hear. Lucky the theatre that can have him; and, in presenting him to Italy, the Fenice brought off a real coup.

The Lenksi of veteran Neil Shioff was a known quality, and a personal triumph for the tenor (but what respectable tenor could fall with *that* aria?). Mikhail Ryssov's Gremm was stately, the voice rasping a bit. The smaller parts were all admirable done, and the anonymous soloist from the chorus in the first act deserves praise. So does the whole chorus, for that matter. And since the orchestra has gained a new sound since I heard it last: the winds played with clean tunefulness, the strings with almost flawless ensemble. The sound sometimes lacks depth and sheen; but this is an orchestra to respect, in a theatre that is boldly reasserting its position.

William Weaver

INTERNATIONAL ARTS GUIDE TODAY'S EVENTS

AMSTERDAM

Concertgebouw 20.15 Wolfgang Sawallisch conducts Rova Concertgebouw Orchestra in Beethoven's Fifth and Sixth symphonies, repeated tomorrow in The Hague. Tomorrow: Valery Gergiev conducts Brahms and Tchaikovsky with Rotterdam Philharmonic Orchestra. Sun at 14.15: Russian programme with Netherlands Philharmonic conducted by Vasily Sinaiski (6718 345). Muziektheater 18.00 Béjart Ballet Lausanne in Ring und den Ring, four hours of Wagner's music choreographed by Maurice Béjart. Also tomorrow and Sat (8255 455).

BERLIN

Komische Oper 20.00 Tom Schilling's production of *Cinderella*, music by Prokofiev (2292 555). Staatsoper unter den Linden 19.30 Il barbiere di Siviglia. Sat: Manon Lescaut. Sun: Michael Giefen conducts Ruth Berghaus's new production of *Pelléas et Mélisande* (2004 762). Berliner Ensemble 19.00 An evening of Kurt Weill. Tomorrow:

Gailléo, Sat: Threepenny Opera (2827 712).

CHICAGO

Orchestra Hall 20.00 Claudio Abbado conducts Chicago Symphony Orchestra in Tchaikovsky's Nutcracker Suite and First Symphony, with Natalia Gutman soloist in Schumann's Cello Concerto. Repeated tomorrow and Sat. Sun at 15.00: piano recital by Elisabeth Leonskaja (435 6866).

COLOGNE

Opernhaus 20.00 Recital by Kathleen Kuhlmann. Tomorrow: Tanz-Forum production of *Romeo and Juliet*. Sat: La traviata (221 8400). Philharmonie 20.00 Charles Dutoit conducts London Philharmonic in Ravel's Mother Goose, Franck's Symphony in D and Rakhmaninov's Symphonic Dances (2801). Schauspielhaus 19.30 Goethe's Stella directed by Gunter Kramer, also Sat (221 8400). Kammeroper 20.00 Brecht's *Jungle of Cities*, also tomorrow (221 8400).

FRANKFURT

Alte Oper 20.00 Claus Peter Flor conducts Frankfurt Radio Symphony Orchestra in Sack's String Serenade and Beethoven's Second Symphony, with Martha Argerich soloist in Ravel's Piano Concerto in G, also tomorrow. Sun: Gerhard Oppitz plays Lutoslawski's Piano Concerto with Frankfurt Opera Orchestra under Ulf Schirmer, who also conducts Beethoven's Fifth Symphony (1340 400).

HAMBURG

Staatsoper 19.00 Fabio Luisi conducts Il trovatore, with Rosalind Plowright as Leonora, Carlo Cossutta as Manrico and Alexandru Ageche as Luna. Tomorrow: *Madama Butterfly* (351555). Royal Festival Hall 19.30 Goethe's *Torquato Tasso* directed by Hans Neuenfels. Tomorrow, Sat and Sun: Michael Bogdanov's production of *Romeo and Juliet* (248713).

LONDON

MUSIC Covent Garden 19.30 Last performance this season of Samson et Dalila, with Claire Powell and Michael Sylvester. Tomorrow: Il barbiere di Siviglia. Sat: Die Zauberflöte (240 1066). Cello 20.00 Kristine Cieslinski sings title role in revival of Joachim Herz production of *Salome* conducted by Richard Armstrong. Tomorrow: Arbert Reimann's *Lea*. Sat: Ruskalka (636 3161). Royal Festival Hall 19.30 Yevgeny Svetlanov conducts Philharmonia Orchestra in Mussorgsky's *Entr'acte* from Khovanshchina and Kalinnikov's First Symphony, with Ida Haendel soloist in Tchaikovsky's Violin Concerto. Sat: Simon Rattle conducts CBSO. (828 8800). Queen Elizabeth Hall 19.45 William Bruckner Kollektif, ten-piece band playing mix of jazz, Kurt Weill, Gershwin and Duke Ellington. (928 8800). THEATRE This week's shows include Alan Ayckbourn's latest play *Invisible Friends* (National), Peter Hall's

production of *Twelfth Night* (Playhouse), Anouilh's comedy *The Rehearsal* (Garrick) and William Nicholson's new play *Map of the Heart*, set in wartime Sudan (Globe). Phone Theatreline: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

MADRID

Teatro Lirico La Zarzuela 20.00 Miguel Gomez Martinez conducts *Ariadne auf Naxos*, with Waltraud Meier as the Composer and Arina Tomowa-Sintow as Ariadne. Also Sun (428 8225).

MUNICH

Staatsoper 20.00 Wolf-Ferrari's *Die vier Grobanten*. Tomorrow: *Otello*. Sat: Der fliegende Holländer (221316). Philharmonie 20.00 Sergiu Celibidache conducts Munich Philharmonic Orchestra in Bruckner's Ninth Symphony, with Daniel Barenboim soloist in Schumann's Piano Concerto. Repeated tomorrow and at 11.00 on Sun. Sun at 20.00: Charles Dutoit conducts London Philharmonic (48098 614).

NEW YORK

MUSIC Avery Fisher Hall 20.00 Paavo Berglund conducts New York Philharmonic Orchestra in symphonies by Mozart and Beethoven, with Horacio Gutierrez soloist in Prokofiev's Second Piano Concerto. Also tomorrow, Sat and next Tues. Sun at 15.00: Yoel Levi conducts Atlanta Symphony in Mahler's Second Symphony (874 2424).

Carnegie Hall 20.00 Zubin Mehta conducts Israel Philharmonic Orchestra in Mahler's Ninth Symphony. Tomorrow: Jesus Lopez-Cobos conducts Cincinnati Symphony Orchestra in Mendelssohn's *Elijah* (247 7800). Metropolitan Opera 19.30 James Levine conducts Otto Schenk's new production of *Parafit*, with Plácido Domingo in title role, Jessye Norman as Kundry and Robert Lloyd as Gurnemanz. Tomorrow: Der Rosenkavalier. Sat: Le nozze di Figaro (362 6000).

PARIS

Palais Garnier 19.30 Netherlands Dance Theater in two ballets by Jiri Kylian, music by Ravel and Stravinsky. Also tomorrow (4742 5371). TME Châtelet 20.30 Georges Pretre conducts Orchestre National de France in Berlioz programme. Tomorrow and Sun: Elihu Inbal conducts Alfredo Arias' production of *Macbeth* (467 4600).

of Les Contes d'Hoffmann. Sat: Boulez conducts Boulez (4028 2840). Salle Pleyel 20.30 Nikita Magaloff plays Chopin. Sat: Gabriel Chmura conducts Orchestre National de l'île de France in music by Wagner, Mozart, Berlioz and Mendelssohn (4661 0630).

ROME

Teatro dell'Opera 20.00 Gustav Kuhn conducts Francesca Zambello's production of *Ariadne auf Naxos*. Also Sat and Sun (463641).

STOCKHOLM

Konserthuset 19.30 Peter Schreier conducts Stockholm Philharmonic Orchestra in all-Mozart programme, also Sat. Tomorrow: Academy of St Martin-in-the-Fields (244130).

VIENNA

Staatsoper 19.00 Garcia Navarro conducts Faust with Giuseppe Taddei in title role. Tomorrow: Così fan tutti. Sat: La Clemenza di Tito. Sun: Die Walküre (51444 2960). Konzerthaus 19.30 Chamber music with Ensemble Wien. Tomorrow: Hans Zander conducts Austrian Radio Symphony Orchestra. Sat and Sun: Hamocourt conducts Mozart (7124 6860).

WASHINGTON

Kennedy Center 20.30 Jazz concert with the Gerry Mulligan Quartet, also tomorrow. Sat: Zubin Mehta conducts Israel Philharmonic Orchestra. Sun: recital by Isaac Stern (467 4600).

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Thursday March 14 1991

A reshuffle in Spain

THE RESHUFFLE of the Spanish cabinet this week suggests that Felipe Gonzalez, the prime minister, has finally chosen a homogenous team to tackle the problems confronting the country as it approaches full integration with the European Community.

Although it is hard to fault his choice of ministers, Mr Gonzalez has done his own cause little good by dithering so long. From the moment he and his Socialist party won a third term of office 16 months ago, he has publicly acknowledged the need for such a change.

The new government is well rid of the clannish Andalusian imprint it has carried since 1982. This also means the demise of the ideological left in government. Admittedly, the process was facilitated by the resignation in January of Mr Alfonso Guerra - Mr Gonzalez's fellow Andalusian and long-time deputy prime minister - after he became tainted by a brother's corruption scandal. But for the first time Mr Gonzalez has constructed a cabinet without full consultation with Mr Guerra, and without the latter's appointees.

Solchaga's influence

On the economic front, the most significant development is the spreading influence of Mr Carlos Solchaga, the conservative finance minister. Through his own portfolio and his new allies in the cabinet, Mr Solchaga will directly influence more than two thirds of spending. He is one of those who recognise that Spain's strong recent economic performance does not mean that it is

fully equipped to compete in the Single Market. He is well aware, for instance, of the danger that the peseta has been overvalued in order to attract foreign currency inflow and restrain inflation.

The new cabinet now has two immediate priorities. First, Spain's wages are growing twice as fast as gross domestic product. The government thus needs to give full support (not the earlier half-hearted variety) to Mr Solchaga's efforts to persuade hostile unions to link pay to increases in productivity and to prevent employers from breaking wage guidelines.

Costly subsidies

Second, the government needs to disentangle itself from the costly web of subsidies which cover almost every aspect of economic activity, from assisting private sector job creation to assumption of debt at the state industrial holding company, INI.

More generally, the government should focus on further reducing inflation, which remains above the EC norm. The real problem here is going to be the position of the peseta within the EMS. If Spain's commitment to the EMS is to be credible, then the government will have to narrow the wide 6 per cent fluctuation band in which the peseta trades in the not-too-distant future. This means that the peseta's value must decline. But narrowing the band cannot be risked too soon because of the danger that borrowing will increase once interest rates fall. All this underlines that the reshuffle does not resolve Spain's fundamental economic problems.

Finance, form and function

LOCAL government finance is the hottest potato in British politics. No fewer than four green papers on the subject have appeared in the last two decades, the result of all this effort being the current turmoil among leading industrial countries, the degree of turmoil is unique. Britain is apparently unable to choose between two equally authentic traditions: powerful local government, on the one hand, and unlimited parliamentary sovereignty, on the other.

Choices that determine the whole structure of governance in the UK should not - and in the last resort cannot - be made on a purely party political basis. Even if the structure of government cannot be constitutionally entrenched, it cannot be expected to work without a degree of stability. That stability requires a wide consensus. But the need for cross-party discussion is just the starting point. Discussion needs to be informed by certain fundamental principles. In the first place, finance and form must follow function. The fundamental question is what degree of autonomy local government should have. Federalism is not on the agenda. It may well be the best basis for the relationship between England, Scotland and Wales, but there is no case for comparably deep sub-divisions within each of them. Nonetheless, local autonomy is to be cherished, above all as a necessary counterweight to an over-mighty executive.

In the second place, the services provided by local government are too important and the country too small and homogeneous for any huge degree of variability to be tolerated. Central government must set minimum standards. Nevertheless, local authorities are more than implementing agencies. They should be allowed to offer not only higher than minimum standards, but differing means of reaching those standards.

Complete autonomy

In the third place, complete local fiscal autonomy would be intolerable. The results of such autonomy would not only be poor services where good services are most needed, but the flight of better-off taxpayers from more deprived localities. Central government will always play a pivotal role in determining - and meeting - the financial requirements of the minimum levels of service that each authority is expected to provide. Ideally, centrally provided resources should allow authorities to offer the same level of service (defined in relation to local needs), with the same burden of local taxation (defined in relation to local income).

In other words, a balance must be struck between local autonomy and centralisation; in the recent past, the balance

has moved too far towards the latter. If local authorities are to be granted greater autonomy, however, their form needs to be changed. They should be large enough to exploit economies of scale in the provision of services. They should be organised in one tier, in order to clarify accountability and the boundaries of cities should be respected. London, for example, should be a single unit.

Local authorities must also be made professional. Councilors should be paid on the assumption that, in a large authority, this is essentially a full-time job. Accountability could be increased by combining directly elected mayors with councils elected by some form of proportional representation.

Minimum standards

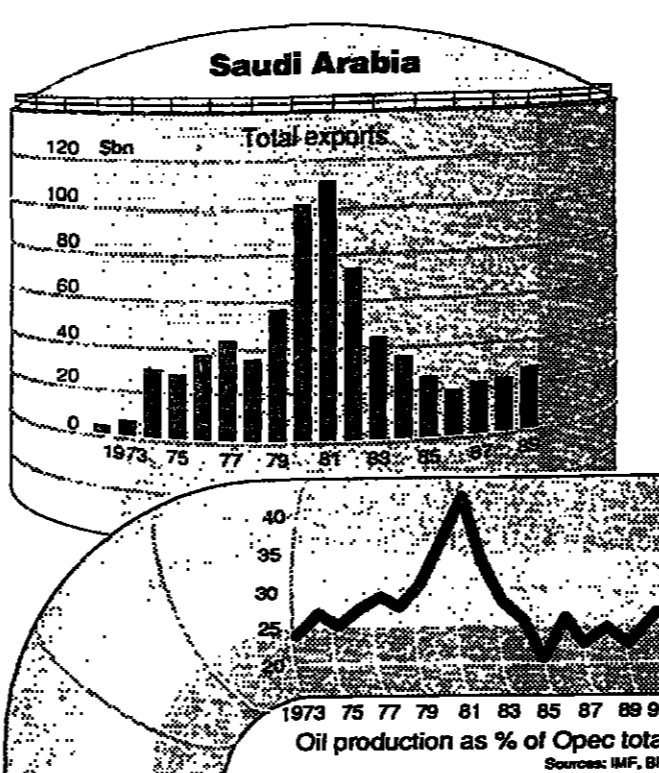
Last, but not least, comes finance. Excluding debt interest, local governments account for almost 30 per cent of the expenditure of central government in the UK. Given the degree of autonomy recommended above, they should continue to do so. Their total resources must match the scale of those obligations.

To the extent that local authorities are meeting nationally set minimum standards, implementing nationally determined pay schedules or benefiting from nationally determined resource redistribution, they can (and must) benefit from centrally provided resources. Such resources would probably account for at least 50 per cent of their expenditure and perhaps more. Nevertheless, local authorities must be able to raise additional resources in ways that are as transparent as possible, while not too onerous to be feasible.

Accordingly, there must be more than one source of finance. Among them could be taxes on property, both domestic and non-domestic, and on income. It would be perfectly possible to set any or all of these as national taxes, in order to generate the revenue required for resource redistribution. (Evidently, income taxation and the business rate are already.) The economic case for a national property tax, but one based on capital values (including of land) is particularly strong. The old rates are unacceptable. Meanwhile, individual authorities should be granted the ability to set local tax rates over and above the national level.

The time has come to talk not of just one thing, local government finance, but of many things. What is needed is nothing less than a consensus on the functions, form and finance of local government. In its absence, a series of desperate expedients has left local government in chaos. It is possible to do better. The government should start now.

Deborah Hargreaves on changing Opec politics after the Gulf war Saudis back in control



Oil production as % of Opec total

Iran. The outcome was the invasion of Kuwait and President Saddam Hussein's attempt to ruin an inveterate over-producer.

"Saudi Arabia is now in a more dominant position than it has ever been because two key players - Iraq and Kuwait - are out of the market and it has the whole thrust of the war behind it," says Mr Daniel Yergin, president of Cambridge Energy Research Associates and author of *The Prize*, a history of the oil industry. The kingdom also appears more comfortable with its role because it is unchallenged both on production and on the military front.

The turning point at this week's meeting came when Mr Hisham Nazer, Saudi Arabia's oil minister, held a secret meeting with Mr Gholamreza Aghazadeh, his Iranian counterpart, to persuade Iran to agree to its plan for voluntary output cuts.

Mr Aghazadeh later described the meeting as very "constructive": he received assurances that Saudi Arabia would be committed to supporting the \$21-a-barrel reference price; there were implied political trade-offs.

And Saudi Arabia said it would cut its output by slightly more than the 5 per cent required of other producers, trimming production from 8.45m b/d to 8.03m b/d.

This showed how one important effect of the Gulf war may be to thaw previously frosty relations between the countries that are now Opec's two leading players. Iran is keen to

maintain the political plaudits it earned by its low-key role in the Gulf war. It needs western investment to increase its production capacity by about 1m b/d over the next three years and has long been looking to increase its role in Opec.

Mr Aghazadeh said this week that Iranian output ran at 3.6m b/d in February, from which it will cut 150,000 b/d when the new agreement comes into force in April. Although other independent estimates of Iranian production are considerably lower.

"Iran is trying to show it can play a major role in oil politics. It is trying to come across as a pragmatic diplomat," said Mr Peter Bogin at Cambridge Energy.

As part of its more conciliatory attitude towards the west, Tehran is vociferously pushing the idea of a wider dialogue between producers, consumers and players in the oil market. Mr Aghazadeh will host a conference in Isfahan at the end of May to which he has invited most large producers and consumers to discuss oil market co-operation.

The rhetoric about a dialogue will probably not amount to much, but the mere fact that Iran is advocating it can only improve its image as a responsible producer.

Mr Nazer needs to court Iran. The last thing he wants to do is to push Iran and Iraq into an alliance in Opec. "Saudi Arabia cannot bank on the security of the region if it pursues its assertive policy in line with US interests for too long," believes Mr Varzi.

While Iran and Saudi Arabia appear to be enjoying a cooler relationship, Mr Aghazadeh could still force Saudi Arabia to modify some of its ambitions for Opec. He reiterated yesterday the organisation's intention of returning to production quotas once Iraq and Kuwait start exporting again.

Mr Nazer, however, is banking on the gradual return of Iraqi and Kuwaiti production over the next few years - by which time, demand for Opec oil may have increased to a level that would allow higher output for everyone. In its traditionally optimistic market outlook, Saudi Arabia expects demand for Opec oil to rise to 27m b/d in the next three years.

In response, the kingdom is boosting its capacity to a peak of 12m b/d which would give it a sustained rate of output of 10m b/d. This calls for a huge investment: it cost Saudi Arabia an estimated \$5m to raise its output from 5.4m b/d to 8.4m b/d during the Gulf crisis. With another chunk of investment planned over the next three to five years, the kingdom will be in no mood to relinquish its current high market share.

Mr Nazer said yesterday: "I expect the amount of Opec production to increase within Opec to increase. We expect to hold our current market share in future and maybe more." Saudi Arabia currently produces a third of Opec output - up from a quarter before the crisis began.

While many smaller producers eagerly expect Saudi Arabia to return to a production level closer to its quota of 5.4m b/d once Kuwait and Iraqi production are back on stream, Mr Nazer has said that Saudi Arabia will resist this. One Saudi delegate described this week's meeting as a turning point which will put an end to the haggling over production quotas.

Most countries are now producing right up to capacity and have little room to manoeuvre as they have done over capacity claims in the past. Saudi Arabia is keen to link production quotas much more closely with capacity. Mr Nazer maintains that "the quota system is now not based on any logical basis, but I'm sure it will be in future".

Another reason for the kingdom's desire to have spare capacity is its view of the crucial role played by spare capacity in a crisis. If Saudi Arabia had been unable to boost output in August, oil prices could have stayed at \$40 a barrel for much longer; they could even have gone higher.

On the other hand, Saudi Arabia does not have a tradition of political assertiveness within Opec. In the past it has stepped back meekly from pressing its point when it has seen other producers suffering from lower prices - partly as a result of its delicate role in Arab and Third World politics, a fact which US patronage in the Gulf crisis does not change.

If prices slide in the second quarter instead of moving up towards \$21 a barrel, Saudi Arabia could come under increasing pressure to cut its production further. Other countries have said there could be a need for a further meeting if oil prices slip, but Mr Nazer is adamant there will be no meeting before the scheduled one in June. The soft-spoken Mr Nazer is emerging as an iron fist inside a silk glove.

BOOK REVIEW
New ways of flying the flag

When Charles "Engine Charlie" Wilson, president of General Motors, was appointed US defence secretary in 1983, he was asked if there might be a conflict between his past and future roles. "I cannot conceive of one because for years I thought what was good for our country was good for General Motors, and vice versa," he replied. His comment has come to epitomise America's traditional way of looking at its own competitiveness by focusing on the performance of US-owned corporations.

Economist Robert Reich, who has taken over the mantle of fellow Harvard Professor J.K. Galbraith as a witty demolisher of long-standing myths about American capitalism and populism of all-breeds theories, has now elaborated an attack on this way of looking at things. The title of his latest book, *The Work of Nations*, is an only partly ironic imitation of Adam Smith's *The Wealth of Nations*.

There is an increasing gap, he argues, between the interests of the so-called symbolic analysts and those of the other two groups. The former are "quietly seceding" into a separate world of exclusive leisure and luxury. The "producers" and "servers" are increasingly falling behind, with declining real wages, a deteriorating environment and inadequate education.

Reich warns of the danger that the "symbolic analysts" will become a small, self-contained group, focused on their own backyard. This is taking things too far. However, separate their homes and the education of their children may be, most of the "symbolic analysts" do not want to ignore their American roots - as the national unity over the Gulf war has shown.

While rejecting a narrowly nationalist version of industrial policy, Reich suggests a solution based on enlightened self-interest, aimed at narrowing the social and economic divisions. He proposes a mix of progressive taxation, higher spending on childcare, education and training, and improved infrastructure. He supports subsidies to encourage high-value-added production through only if these do not discriminate between the nationalities of the recipient companies.

Reich has provided a manifesto for Democrats who want an activist government seen to be helping Americans improve their competitiveness, but who reject the growing "blame the foreigners" demand for controls on foreign investment and a tough trade policy.

The *Work of Nations* is stimulating and entertaining. But it is also unsatisfactory since, in trying to create a new general theory, Prof Reich exaggerates and oversimplifies the extent and nature of the changes in American capitalism.

Similarly, Reich confuses

THE WORK OF NATIONS: PREPARING OURSELVES FOR 21ST CENTURY CAPITALISM
By Robert Reich
Alfred A. Knopf
351 pages, \$22.95

Peter Riddell

Mutiny due in Rotterdam

Time is running out for Royal Nedlloyd Group, the troubled Dutch transportation giant. Its shares have halved in value over the past 12 months, and it will shortly report a massive loss.

Understandably, the group's shareholders are growing more and more restless. So perhaps today's extraordinary general meeting in Rotterdam will be the occasion for a long overdue management explosion even though, in public at least, all connected with the company are being exceedingly polite.

Turstein Hagen, a London-based investment banker, is leading the attack. He has been harrying the company for its poor performance for several years, and has a reasonable record in rescuing other problem companies. The defence is led by Henk Rooijer, Nedlloyd's 57-year-old chairman - a good line shipping man, but no company doctor.

The current Nedlloyd management hasn't demonstrated it can pull the group round, and there must be a serious question whether a fresh look is needed," says Dan White, County NatWest's respected shipping analyst. His view is shared by many independent parties who have watched the long decline of a shipping company which still counts Prince Bernhard as its patron.

Hagen's performance at today's meeting is nothing more and nothing less than an audition for a seat on the company's supervisory board. The only real weapons he has at his disposal are charm, persuasion and resolve. Dutch shareholders have little real power, and Hagen - who controls 22 per cent of Nedlloyd's shares and claims to speak for a majority of the shareholders - is no exception.

OBSERVER

Hagen's only real hope is to charm the board into believing that he is indispensable to Nedlloyd's future. He deserves a fair hearing.

Applied design

Whatever would be professional designers may be good at designing, it is not their own applications for jobs.

Graham Thomson, director of London's Product First design consultancy, says the typical curriculum vitae he gets from work-seeking students resembles a list of his own qualifications, where they are listed, and the hamburger bars they worked in during vacations.

To emphasise the importance of good design in job-getting, he stages an annual competition for the best CV. The prize is a five-day tour of Europe studying design. The opening run last year brought 300 entries, and winner John Barrett of Leicester Polytechnic landed a job with a leading French design company as a result of his study tour. This year's event is on schedule for still more entries by the March 23 closing date.

But while attractively designed applications may ring the bell with employers like Graham Thomson, they will not necessarily do so in all cases. The best bet for winning a job with an accountancy firm, for instance, is a CV resembling the handiwork of an accountant.

Lost touch

No one can be sure if Italian financier Carlo De Benedetti sees a conspiracy behind the Milan appeal court's decision to send him for trial on charges of involvement in Banco Ambrosiano's fraud.



lent bankruptcy nine years ago. But many Italians will certainly see one for him.

Italian court judgments are often suspected of political conditioning. And even though the Milan court's decision may be above legal reproach (which De Benedetti's lawyers are sure it isn't), the Olivetti chairman has had to take an astonishing series of knocks from senior judges in the last 18 months.

The end result is that he looks set to lose management control of Mondadori, Italy's largest publishing group, despite owning a majority of its capital through his CIR holding company. Also he must now face trial on charges over Ambrosiano on which he has already been absolved by investigating magistrates.

De Benedetti has always been something of an outsider among Italy's big business barons. The reason is partly his readiness to criticise governments in a way which Fiat president Gianni Agnelli never does, and partly the apparent warmth of his relations with the former Communist Party, now the Party of the Democratic Left.

He is certainly not the businessman most favoured by Italian prime minister Giulio Andreotti and Socialist party leader Bettino Craxi, who have been calling most of the political shots over the past year and a half.

His forthcoming trial will be a unfortunate distraction now Olivetti is struggling to stay profitable, and when he is trying to repair an image dented by losses suffered in the attempt to take over Societe Generale de Belgique. He has been what Italians call "sdimensionato" - cut down to size.

Verdict

Meanwhile the Rine Arrow trial sometimes fails to rivet the attention of even its most ardent followers.

During cross-examination of a witness yesterday, Robert Harman QC rose to complain the evidence was inaudible. "If I might say so," the judge responded, "you aren't missing much".

Bank bomb

Another buzz-phrase seems to be creeping into banker's jargon: the "recession loan". First heard in the battered real estate market of America's North-east, it is now gaining wider vogue.

To avoid the spread of sloppy definitions, it should be used only when bank and borrower financing a property both self-destruct under a moratorium of debt, leaving the property standing. It is not to be confused with the "non-recourse" loan which, of course, is far less dangerous.

Kinky

A London seminar on "how to move your company to service excellence (and keep it there)" to be held on May 23, will be led by Avis Europe's director of customer satisfaction, Linda Lash.

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ECONOMIC VIEWPOINT

No good case for a savings Budget

By Samuel Brittan

Of all the sacred cows that come out to graze as the snow melts, none is more sacred than the case for a "savings Budget". There is little time to explain why it is the last thing we need.

When people advocate savings incentives, they may mean one of two things: permanent changes in the tax system; or temporary changes geared to the state of the economic cycle.

Temporary changes can be made to encourage savings at times of inflationary pressure and also to encourage spending at times of recession. Such changes, if they are to be tried at all, best take the form of variations in the budget surplus or deficit. But they are usually misguided altogether. Budgets normally swing into deficit in recession; and City analysts are now vying with each other in daring guesses of how far above £10bn the 1991-92 UK Public Sector Borrowing Requirement will go (and that is after counting privatisation receipts and council house sales as revenue). To advocate deliberately budgeting for even higher deficits is to pile Pelion on Ossa.

There is already a market device for aligning savings with investment, known as the rate of interest

It is moreover doubtful if using budget surpluses and deficits to offset private saving fluctuations really works. There was a massive swing to surplus in the British Budgets from the mid-1980s to the late 1980s, which was offset by a large fall in the personal and corporate sector savings ratios. More recently budget surpluses have run off and private savings have revived. Greater disappointments have been recorded among smaller countries, especially in Scandinavia, which have accepted international advice to run budget surpluses, only to see them offset by falls in private savings.

The quick case against permanent savings incentives is that their main

effect is to switch savings from one medium to another while leaving the total unchanged.

The more fundamental case is that people are best left to make their own choices between present and deferred consumption. With their normal electoral horizons, governments are at least as likely to be guilty of short-termism as households and companies.

Moreover, there is already a market device for encouraging savings, when this is necessary, and bringing them into line with investment opportunities. This is known as the rate of interest. Under free international capital markets, this is determined on a worldwide rather than national scale. There is nothing wrong with that. For it enables countries with a savings surplus relative to investment opportunities to lend to those with a savings deficiency. If the process offsets another sacred cow, known as "the need for international balance on current account", so much the better.

From a more immediate point of view, the exhortations to a savings Budget sit rather oddly with the widespread hopes, often expressed in the same submission, that consumption will rise and the savings ratio fall to lead the UK out of recession.

We forget how quickly the perceived state of the economy can change. Less than a year ago, I was defending the then chancellor, John Major, against the charge of not running a large enough budget surplus to

check inflation. Now I hope that his successor, Norman Lamont, will heed the plea of the Social Market Foundation in its 1991 Budget submission "not to revert to attempts at fiscal stimulation which could easily see us wrong-footed again". It is much better to base fiscal policy on medium-term guidelines aiming at a balanced budget over a whole economic cycle and to avoid discretionary attempts to encourage either savings or consumption. Such an approach would mean no net tax cuts, except normal indexation of the thresholds and duties.

But there is one olive branch I can offer to those believing in conventional long-term savings incentives. This is that some of their specific proposals may be justified, not as savings incentives but as a means to secure a level playing field for forms of savings - ie, to reduce fiscal privilege in the tax system.

For instance, John Major was misguided to call his 1990 Budget "a Budget above all for savers". But a perfectly good case could be made for the main measure it contained, the tax-exempt special savings accounts (Tessas). Before these were introduced savings in interest-bearing accounts were badly treated compared to pensions or house purchase.

As the chart shows, even now pensions and house purchase are still highly privileged. Taking into account all the exemptions they enjoy, the effective tax on the return from them is minus 20 per cent, compared to around zero for personal equity plans (PEPs) and Tessas. By contrast, interest on equities or on money held on deposit, are taxed at rates varying from 20 to 60 per cent.

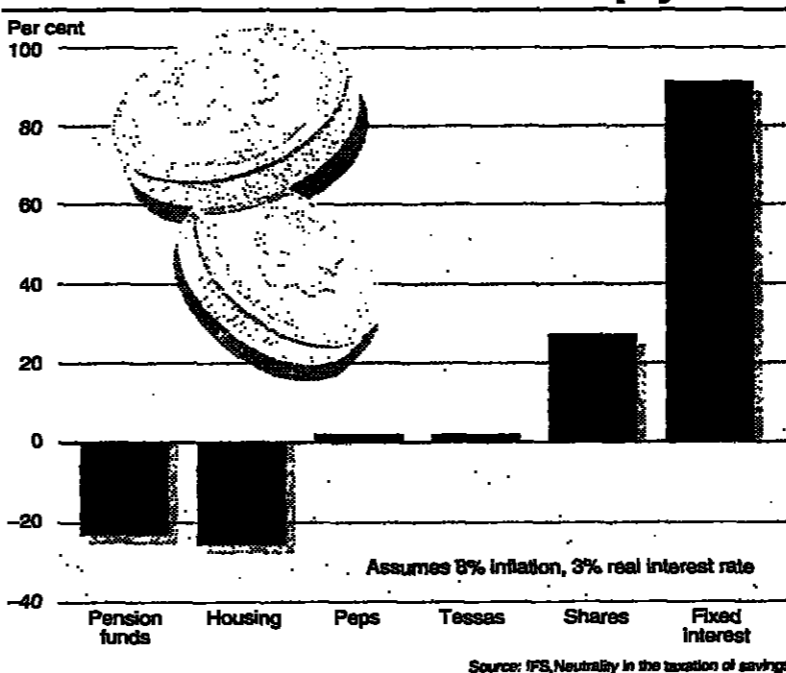
The next stage towards a level playing field would be to make a start on removing the fiscal privileges which lead to negative taxes on the return to housing and pension fund investments. A good case could be made to confine mortgage interest relief to the basic 25 per cent rate and not allow it against the higher 40 per cent rate.

The way in which a taxpayer's bill would then be calculated is shown in the table. The clue is that mortgage interest relief would become a tax allowance with a maximum value of £1,125 when the mortgage interest rate stood at 15 per cent. A higher-rate taxpayer would then have been up to £1,125 worse off. This would bring in about £0.5bn. If the chancellor

went further and ended higher-rate relief on occupational and personal pension contributions as well, the revenue gain would be over £2bn, and it would all come from the upper and upper middle ranges of taxpayers, but without raising the top marginal rate. The effect would be to bring forward the point at which the top 40 per cent rate applied, which is not the greatest hardship imaginable.

Unfortunately, the chancellor is more likely to confine himself to more populist measures, such as not increasing the higher-rate threshold in line with inflation and clamping down a bit more on perks such as company cars. The former would yield some £0.35bn. National Insurance contributions on company cars would bring in up to £0.8bn. How then could £1bn or £2bn or some more modest sum best be used to help the least well-off? The Institute for Fiscal Studies demonstrates in its Green Budget that the poor taxpayer gains far more from an increase in the personal allowance than from a headline-gaining introduction of a reduced rate band. (A taxpayer has to

Effective tax rates for basic rate taxpayer



Skills and unemployment in UK

Training is not a panacea

By Peter Robinson

There appears to be growing consensus between political parties, the Confederation of British Industry and trade unions that a prime cause of Britain's economic problems is under-investment in education and training. But the debate will not progress until those involved distinguish between the two distinct problems which the UK economy faces.

First, productivity growth since at least the end of the Second World War has been relatively poor, with the result that several nations have surpassed the UK in the league table of living standards. Second, the trade-off between unemployment and inflation has worsened since the oil shocks of 1973 and 1979, such that in the next few years an unemployment rate of up to 10 per cent may be necessary to stabilise inflation. What are the links between education and training and these two problems?

Much of the popular debate focuses on skill shortages and their relationship with inflation and unemployment. Skill shortages may cause unemployment if their resistance is a big factor in forcing employers to bid up pay. The resulting inflationary pressure may cause the authorities to curb demand, thereby forcing up unemployment.

The only consistent indicator of skill shortages comes from the CBI Quarterly Industrial Trends Survey. Between October 1989 and January 1991 the proportion of manufacturing companies citing skill shortages as a big constraint on output fell from 28 per cent to 6 per cent. Pay inflation over most of the period continued to rise. If skill shortages were a leading determinant of pay inflation such a large easing should have had a significant downward impact on average earnings growth. Yet no such impact can be discerned.

The peak of 28 per cent in 1989 was still well below the high of the 1980s and early 1970s. The figure of 6 per cent recorded in January this year nearly matched the 5 per cent recorded in July 1980, which represented the same point in the last economic cycle when underlying unemployment was

rising by 70,000 to 80,000 a month. This suggests that skill shortages have not worsened over the decade and cannot account for the deterioration in the unemployment/inflation trade-off.

If skill shortages are thus no more than a marginal influence on pay inflation and therefore on the unemployment/inflation trade-off, it follows that training can be no more than a marginal solution to unemployment.

Research, notably from the National Institute of Economic and Social Research, suggests that a lack of skills is a leading cause of the UK's relatively poor productivity growth. This would indicate the need for more investment in education and training.

However, such research has only scratched the surface and the case for linking skills and productivity is by no means proven. This can be illustrated by posing one question: If we were to double the numbers obtaining National Vocational Qualification level 3 (A-levels or their vocational equivalent) by how much would boost productivity growth and over what time-scale? The answer is that we have no real idea, but any improvement in living standards would occur only after a significant time-lag - beyond 2000.

And the training debate should not divert attention from more contentious areas of public policy. The argument presented in Full Employment in the 1990s, published by the Campaign for Work, last month is that we need to restructure pay bargaining and explore the experience of a system of co-ordinated pay bargaining in countries such as Germany and Japan.

Trends in Britain in the 1980s towards decentralisation and deregulation in the labour market were associated with a worsening of the inflation/unemployment trade-off.

Despite the degree of consensus on the subject, the debate on education and training should not end here. There is little consensus and therefore the need for more thinking.

The author is a former deputy director of the Campaign for Work.

LETTERS

US free trade deal with Japan on chips

From Mr A.A. Proccassini

Mr Bush administration's intent to negotiate a new US-Japan semiconductor trade agreement ("Free trade in chips," February 21) contained a number of inaccuracies.

One of the key issues overlooked was the fact that European semiconductor manufacturers have benefited from the bilateral pact signed in 1988. The fact that European semiconductor manufacturers have increased sales in Japan by more than 300 per cent over the last five years is directly attributable to the market opening provisions of the 1986 agreement.

The assertion that US D-Ram manufacturers were not saved from extinction by the 1986 agreement is also incorrect. In fact, because the Japanese were required to halt their illegal dumping, one US D-Ram manufacturer has re-entered the marketplace, and the US market share decline has stopped.

In the case of E-Proms (the other type of memory chip Japan agreed to stop dumping), US market share has increased, and the US now leads the Japanese in worldwide production.

Incredibly, you claim all these positive effects are incompatible with the Gatt.

The Gatt objective of open markets and free trade is completely in synch with the ultimate aims of US semiconductor manufacturers as they seek a new semiconductor agreement with Japan.

There are a number of protectionist policies on which you could more accurately focus. The onerous 14 per cent duty currently imposed by the EC on foreign semiconductor is but one example.

A.A. Proccassini, president, Semiconductor Industry Association, 4800 Stevens Creek Boulevard, Suite 277, San Jose, California

Apprentices are first victims

From Mr David Powis

Sir, It is universally recognised that a stable and effective programme of industrial training is essential for the continued competitiveness of UK manufacturing industry.

However, there are some worrying signs in the present recession which do not augur well. Although many people objected to the "stick and carrot" approach of the training boards with their levies and grants, the system did at least ensure that every company had a training programme in place which was monitored by an official from the board, or alternatively it had to make a contribution to industrial training through the levy.

The wheel has come full circle in the latest Labour party policy document on manufacturing industry, which proposes a return to a statutory payment (0.5 per cent of payroll) to cover training.

In the present recession, significant numbers of apprentices are being made redundant, as this is seen as one of the first areas for cuts and savings. If the Engineering Industry Training Board levy/grant system were still in place, a company would jeopardise its levy exemption if apprentices were laid off.

If a stable apprentice training programme is not maintained, the seedcorn of a future skilled workforce is irreparably damaged.

In our industry, we have encouraged recruitment of apprentices in the past by partially offsetting their training costs with grants from the Training Agency. This responsibility has devolved to the new Training and Enterprise Councils, and all the indications from those Tecs which are operational are that these grants are to be reduced, or even phased out completely.

The result of all these changes is that there will be less incentive for companies to take on trainees, and no disincentive to disposing of apprentices in times of austerity. Our continental competitors place much greater emphasis on keeping their training programmes intact in bad times.

David Powis, Director-General, British Forging Industry Association, Grove Hill House, 245 Grove Lane, Handsworth, Birmingham

BA statement was considered judgment not 'bluff'

From Sir Colin Marshall

Sir, I read with considerable concern the comment in the *Lex* column (March 12) suggesting that the statement issued on March 11 by British Airways, concerning recent decisions by the government in relation to the airline industry, may be "bluff".

It is a pity that when responsible public companies make statements to the stock exchange in order to comply with their onerous obligations which arise from public listing in London, a newspaper of the standing of the *Financial Times*, without any justification and without speaking to

the company concerned, sets out to undermine what the company has said.

The statement, and in particular Lord King's comment - that the secretary of state's decision last week to revoke the Heathrow access rules and to limit British Airways' operations to Tokyo and his agreement with the US, are expected to reduce materially British Airways' future profitability - represented a considered judgment of the impact on our profits, as indeed it must in order to meet the obligations of the Stock Exchange.

It is our view that the shareholders in British Airways

were likely to have a misleading impression of the implications of these decisions, particularly in view of the statement made in the House of Commons by the secretary of state for transport on the outcome of the bilateral ASA talks with the US.

The decision to issue the statement was taken on the basis of legal advice and having due regard to our responsibility to our shareholders.

Sir Colin Marshall, deputy chairman and chief executive, British Airways, Heathrow Airport, Hounslow

Statutory recognition of unions beats striking for it

From Mr Bill Brett

Sir, Your leader "A union offer to be refused" (March 12), has ascribed the wrong motives to the Trades Union Congress and to those of us within it who argue for statutory rights to be afforded to trade unions in respect of recognition.

I note the support for individual rights of union representation but the opposition to what is described as the "flawed proposal", namely statutory recognition, is puzzling. Your arguments are that "trade unions acquire their persuasive power to individuals and to societies by their record". Unfortunately our problem is not persuading individuals to join but their employers to respect their wishes that they be represented by their trade union. It has been my experience

over 30 years that employers, particularly in the private sector, do not only not want to recognise the rights of their staff to belong to trade unions, but frequently refuse collective bargaining.

Indeed, matters do not always rest there, but companies often carry that through with dismissal of activists and intimidation of union members. The only weapon that the trade union has in those circumstances is to take strike action for union recognition which I am sure your Leader writer would deplore.

You conclude by claiming that persuasion of the public means not reverting to what you describe as the damaging excesses of the 1960s and 1970s. I would argue that the absence of a statutory right by which the employer must recognise the rights of staff to have a

trade union as their bargaining agent is more of a recipe for industrial action and chaos than a law requiring union recognition.

It is hardly the point that in the US such a law "has not prevented the long-term decline of the AFL-CIO union federation". Surely it must be the right in a democracy for working people collectively to be protected and for their wishes for collective bargaining to be respected?

Persuading individuals to join a trade union is the responsibility of the trade union movement. Seeking to deny them rights is hardly the role of a responsible newspaper. Bill Brett, general secretary, Institution of Professionals, Managers and Specialists, 75-79 York Road, SE1

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OVERSEAS MOVING
BY MICHAEL GERSON
081-446 1300

INSIDE Goodyear treads with care amid slowdown

Goodyear Tire & Rubber is fighting off the downturn in the industry with wide-ranging changes. Goodyear, the last surviving big US tyre group, yesterday announced a management shake-up, 1,100 white collar job cuts and a sharp reduction in capital spending. Martin Dickson reports. Page 24

High on success
Top notch results at Lloyds Chemists, the UK's second largest retail chemist and drugstore chain, which yesterday unveiled a 61 per cent increase in pre-tax profits in the six months to December 31. A confident board raised the interim dividend by 50 per cent after announcing the good news. Andrew Bolger reports. Page 25

Unigate warns of profits fall
Shares in Unigate, the food and transport group, fell yesterday amid warnings from the company that its pre-tax profits were likely to fall short of market forecasts. But the blow was softened by the company's determination to maintain the final dividend. Clay Harris reports. Page 28

Hard look at UK markets
Britain's financial markets came under close scrutiny following the publication of government figures yesterday. The statistics show a surge of capital flowing out of the country last year due to trade in equities, bonds and other financial instruments. The report raises the question of how much the markets affect the stability of sterling within the European exchange rate mechanism. Page 25

Rocky's road works wonders
In the three years since James "Rocky" Johnson (left) took over as chairman of US telecommunications group GTE, the company has been shedding fat with the enthusiasm of a champion weight watcher. GTE is now about to claim its reward - the \$6bn marriage with ConTel. The deal will make GTE the largest local telephone company in the US. Martin Dickson looks at the strategies which have brought GTE so far. Page 24

Blue ribbon day for La Escondida
La Escondida, the biggest and richest copper deposit in the world, is to be officially inaugurated today. The mine, which came on stream six months early, has already exported 110,000 tonnes of copper concentrates and has sold 77 per cent of its output in advance to smelters in Japan, Germany and Finland. Page 30

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Chief price changes yesterday

FRANKFURT (DM)			MILAN		
Alcoa	740	+ 10	Alcoa	700	+ 23
Walt Puf	715	+ 10	Ci Fano Fr	1102	+ 27
Pharm			Pharm		
Deutsche Bank	840	+ 23	BBN	815	+ 11
Deutsche AG	632.5	+ 14	Brighton	727	+ 12
Deutsche AG	380	+ 20	Club Med	482	+ 17
Deutsche AG	544	+ 14	Club Med	601	+ 18
Volkswagen	358.7	+ 10.8	Club Med	703	+ 16
NEW YORK (\$)			TOKYO (Yen)		
Alcoa	120	+ 3	Toyoko Inn	1250	+ 200
General	42.5	+ 2.5	Toyoko Inn	880	+ 80
General	27.5	+ 2.5	Toyoko Inn	707	+ 67
General			Toyoko Inn	1840	+ 180
Goodyear	22.5	+ 1.5	Toyoko Inn	1080	+ 105
IBM	34	+ 1.5	Toyoko Inn		
IBM	28	+ 1.5	Toyoko Inn		
PARIS (FFr)			LONDON (Pence)		
Alcoa	120	+ 3	Alcoa	59	+ 16
General	42.5	+ 2.5	Alcoa	154	+ 12
General	27.5	+ 2.5	Alcoa		
General			Alcoa		
Goodyear	22.5	+ 1.5	Alcoa		
IBM	34	+ 1.5	Alcoa		
IBM	28	+ 1.5	Alcoa		
LONDON (Pence)			LONDON (Pence)		
Alcoa	135	+ 13	Alcoa	59	+ 16
Alcoa	231	+ 14	Alcoa	154	+ 12
Alcoa	402	+ 25	Alcoa		
Alcoa	184	+ 8	Alcoa		
Alcoa	158	+ 32	Alcoa		
Alcoa	558	+ 20	Alcoa		
Alcoa	228	+ 16	Alcoa		
Alcoa	74.5	+ 6.5	Alcoa		
Alcoa	125	+ 5	Alcoa		
Alcoa	352	+ 31	Alcoa		
Alcoa	380	+ 25	Alcoa		

Best 1990 performance of the big three Swiss banks • Dividend is maintained at SFr14 SBC discloses 12.5% earnings fall

By William Dullforce in Basle

SWISS BANK Corporation (SBC) reported the best 1990 performance of the big three Swiss banks yesterday, when it disclosed a 12.5 per cent decline to SFr20m (\$60m) in consolidated net earnings and announced that it planned an unchanged dividend. Net earnings of the parent bank dropped by 7 per cent to SFr657m.

Union Bank of Switzerland, which is also maintaining its dividend, had previously posted a 13.5 per cent decline in net profit at the group level. Credit Suisse had said it would cut its dividend after disclosing a 31 per cent plunge in its net result.

Mr Walter Frehner, bank president, attributed the profit fall to an exceptional combination of negative factors - an inverted yield structure in Swiss interest rates, massive setbacks on stock exchanges, a sinking dollar and the Gulf crisis.

He was more cautious than the other two banks in predicting a recovery in 1991. Although he was "reasonably confident" about the prospects, Mr Frehner said that, even if the results of the first two months had signalled the possibility of an improvement in earnings, they were not sufficiently representative to form the basis of a forecast for the year.

Like its two rivals, SBC published consolidated figures which it said were consistent with European Community directives and which gave much greater insight into its operations. In 1990, SBC's consolidated cash flow dropped by 15.1 per cent to SFr1.53bn after a 5.9 per cent dip in net operating income to SFr1.9bn. The principal factor in the decline was a 26 per cent slide in income from trading in securities, foreign exchange and metals. Returns from securities trading slumped by 96 per cent to SFr9.4m.

Net income from commissions dropped by 9 per cent to SFr1.47bn with brokerage fees tumbling by 19 per cent. A modest improvement in margins, due to good returns on money market operations, led to a 2.4 per cent increase to SFr2.65bn in net interest income, but the figure includes SFr538m in interest and dividend income from securities. The parent bank showed a fall



Alan Jackson: 'We are going to enter an unprecedented period of quite great excitement'

Trelleborg chairman agrees to take on troubled Esselte

By John Burton in Stockholm

MR RUNE ANDERSSON, chairman of the Swedish mining and industrial group Trelleborg, yesterday agreed to become the chairman of Esselte, and possibly its main shareholder, as part of an attempt to restore ownership stability to the troubled Swedish office products company.

His appointment is designed to dispel uncertainty surrounding the future of Esselte, which suffered from a boardroom power struggle last year, followed by the collapse of its biggest shareholder, Mobilia, the Swedish property and investment company.

Control of Esselte rests with two of Mobilia's creditors, Nordbanken and Gota Bank, Mobilia's bankruptcy administrator and Ratos, a Swedish investment firm.

BTR shares rise despite profits decline

By David Owen in London

BTR, the UK industrial conglomerate, yesterday reported an 8.6 per cent fall in annual pre-tax profits to £966m (\$1.5bn), reflecting the global recession in the construction and automotive sectors.

Without adverse currency fluctuations, the decline would have been 3.8 per cent from the £1,066m achieved in 1989. Although profits fell "sadly" below the £1bn threshold, "we feel quite good about 1990," the company said.

The shares rose a strong 26p to 402p. This was partly due to the group's decision to break with tradition and lift its final dividend despite a 9.7 per cent fall in earnings per share to 31.8p (\$5.2p). This is the first drop in earnings per share registered by the group for more than 20 years.

Cowabunga! Playmates up 630%

By John Elliott in Hong Kong

RAPHAEL, Leonardo, Donatello and Michelangelo are continuing to pull in the crowds - in the form of the four Teenage Mutant Ninja Turtles. They are sweeping through the world of children's toys on a popularity bonanza that pushed the after-tax profits of Playmates International Holdings of Hong Kong up by 630 per cent last year to HK\$1.22bn (\$US153m) from HK\$166.7m.

With revenue up 265 per cent to HK\$4.13bn, the result would be outstanding at any time; yesterday it had added poignancy because it was announced by a small company one day after the colony's Hongkong and Shanghai Banking Corporation admitted a 35 per cent drop in profits.

The plastic turtle action figures have rescued Playmates from near bankruptcy in 1987 and turned it into one of last year's top performing Asian stocks, as corporations around the world were tightening their belts. In the first half of last year the mutant reptiles, cashing in on the success of a film about their campaign against street crime, generated Playmates an almost 70-fold increase in after-tax profits to HK\$350.4m from HK\$5.2m. That marked the peak of the

growth. Made in southern China with most of Hong Kong-manufactured products, the turtles were rated the best selling action figure in the US last year and toy of the year in the UK, where they are known as Hero Turtles. Playmates said yesterday that it hoped the turtles would become a "classic toy". But the company's challenge is to find new products to sustain growth.

This year it has produced toy lines including Toxic Crusaders, other turtles and action toys based on Disney Afternoon Cartoons' TaleSpin and Darkwing Duck.

Yesterday it declared a final dividend of 20 cents and a special cash dividend of 40 cents a share, plus a one-for-10 bonus issue. That followed a 10 per cent interim dividend last August, which was accompanied by a 38 per cent special cash dividend and a three-for-one bonus share issue.

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INTERNATIONAL COMPANIES AND FINANCE

A Squeeze on travel costs in Club Med FFr150m

By William Dawkins in Paris

CLUB Méditerranée, the leading French holiday village group, yesterday warned that the slowdown in travel caused by the Gulf crisis had reduced profits by FFr150m (US\$28m) over the past four months.

However, holidaymakers' plans have been merely delayed rather than cancelled and Club Med should be able to end the year with profits around the same level as the FFr285m net reported for the 12 months to last October, according to Paris analysts.

Club Med said the slowdown had been most marked in its southern Mediterranean villages, but that it had seen a clear recovery in sales over the past fortnight. The group indicated last week that the Gulf crisis would cost it FFr100m of lost profits in the first half of the year, but that Accor still expected profits this year to rise from FFr780m to FFr900m.

Jacobs agrees with Asko to pay more for Adia stake

By William Dufforce in Geneva

ASKO DEUTSCHE Kaufhaus, the German retailing group, and Mr Klaus Jacobs, the Swiss businessman, has agreed to pay SFr100 a share more than originally announced for 53 per cent of the voting rights in Adia, the big Swiss-based employment and services group. The price for the controlling stake will be SFr840m (US\$171m) instead of SFr770m.

If the new sales contract is completed tomorrow, as expected, it will allow Adia to lift its block on the earlier deal and provide a welcome capital injection for Omni Holding, the master company of Mr Werner Rey, the Swiss financier, which last week applied for court protection against its creditors.

However, some of Omni's creditors yesterday appeared to oppose the new deal.

Under the terms of the sale announced on February 21, Asko and Mr Jacobs were to pay Omni Holding SFr1,100 a share for 700,000 Adia shares. Omni had to buy 100,000 of the shares from a group of former Adia executives.

Adia issued a court order blocking the deal when it discovered that the stock Omni intended to sell included 100,876 shares, which should have been placed on deposit with banks, to cover a SFr192m convertible bond debt to Adia.

Asko and Mr Jacobs say they will pay SFr1,300 a share but on condition that the extra SFr100 goes not to Omni but to Adia and that the deal is completed by Friday.

Omni will return the Adia shares due against the convertible debt to Adia. Asko and Mr Jacobs will then buy 500,000 Adia shares from Omni, 100,000 from the former Adia executives and 100,000 from Adia.

Adia will receive SFr120m for the shares returned by Omni and SFr60m from Omni and the executives' group leaving it with an outstanding claim on Omni of SFr22m plus interest. Omni would receive a capital injection of SFr550m.

Revenues climbed by 4.9 per cent to just over SFr2bn. In local currency terms, the advance was 14.5 per cent, with newly-acquired companies contributing 30 per cent of the increase.

Cash flow at SFr265m was up by 15 per cent. Following last year's four-for-one split in the shares SGS plans to pay shareholders SFr38 per registered share and participation certificate and SFr190 per bearer share.

Adjusted for the split the corresponding dividends in 1989 were SFr32.50 and SFr162.50.

SGS plans 17% rise in dividend

By William Dufforce in Geneva

SOCIÉTÉ GÉNÉRALE de Surveillance, the Swiss group which is the world leader in inspection and testing services, yesterday reported a 16.9 per cent rise to SFr181.6m (US\$34m) in net earnings for 1990. The board proposes a 17 per cent increase in the dividend.

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Siemens-Nixdorf 'will not break even'

By David Goodhart in Bonn

THE Siemens-Nixdorf group, formed last year when Siemens took over the ailing Nixdorf, is facing greater problems than expected and will not break even this year at the operating level as originally hoped, according to Mr Hans-Dieter Wiedig, the chief executive.

Speaking at the CeBIT information technology fair, Mr Wiedig said that it was impossible to say when Siemens-Nixdorf would move into profit, but warned that the company was having to bear DM660m in price reductions in the current year.

Telekom, Germany's state-owned telephone group, presented its D1 digital radio phone which should start operating in parts of the country in July. Telekom is investing nearly DM4bn in the system and expects to have 500,000 customers by the end of 1991.

The Post Ministry has not yet ruled on the sensitive question of how much Mannesmann, the private sector digital phone competitor to Telekom, will have to pay for the lines it has to lease from Telekom.

BTR sees its future as a seller as well as a buyer

LAN JACKSON'S BTR is set to take some leaves out of the Hanson book of management.

Mr Jackson, who took over as BTR's chief executive in January, plans to make the UK industrial conglomerate more of an asset broker.

In the past, BTR has sold few of the companies it acquired, buying only businesses where its strong management disciplines could generate strong performance.

Now, Mr Jackson says he is willing to sell existing BTR businesses where room for improvement is limited and premium prices can be obtained. And, in his eager search for a large acquisition, he is prepared to buy companies with a view to reselling up to 30 per cent of their assets.

Mr Jackson, to some extent, broke the mould in 1988 with the A\$1.6bn (US\$1.2) acquisition of packaging and building products group ACI International. The deal was engineered during his time as managing director of BTR Nylex, the UK group's Australian offshoot. In the year following that deal, as he points out, "we sold everything cyclical", including ACI's brick, doors, windows and coal mining businesses.

"I broke new ground with ACI because I sold 30 per cent of the business," Mr Jackson concludes. "I guess it would be fair to say that with our past policy we wouldn't have considered buying a company 30 per cent of which didn't fit our operations."

This radical change of tack might disconcert BTR admirers who have profited from the group's exceptional record of success sustained over many years. "One hopes that he isn't looking back to the deal occurring in the second half," Mr Solomon described current trading as "generally satisfactory", but he was more confident for the future. This confidence was underlined by an 11.1 per cent rise in the dividend for the year to 8p from 7.2p. The dividend is covered 3.2 times.

Hilldown provided £7.2m of supplemental interest on its convertible Eurobond against 55.6m. The bond has an investor put option at the end of 1992.

Mr Jackson argues, however, that adopting a more flexible approach to bartering assets will help BTR in at least two ways to land the big deal

which it needs badly. First, it will obviously extend the list of acceptable targets. "One of the problems we have had is to identify a company that fitted perfectly with the rest of the group," he says. "It meant that opportunities were rather restricted."

Second, it will give BTR an alternative to rights issues to retire debt used to fund acquisitions. "In future, we are likely to retire some debt with the sale of existing businesses, as well as the possible issuance of new equity," he says. Debt will continue to be used in the first instance, however, "so that we can act quickly".

While bids and deals have been exceptionally thin on the ground lately, the new chief executive believes that opportunities to purchase at acceptable prices are becoming less scarce.

This is partly due to the demise of the junk bond market which inflated the effective purchase price of many potential targets. Companies such as BTR were thus forced to shift their focus to cyclical sectors and to the Pacific Rim where prices remained lower.

Also helpful is the fact that companies which have fallen on hard times during the recession are in urgent need of support. "I believe there are a number of these in every economy; they are currently in Australia by the heaps," Mr Jackson says.

Finally, he feels that politicians in troubled economies are "less inclined to protest at outside investment". BTR met substantial political opposition last year to its attempted US\$1.64bn purchase of Norton, the US abrasives and plastics group that was eventually bought by France's Saint-Gobain.

Mr Jackson is also confident of realising good prices for the bits of BTR he decides to sell - even though he is operating in a buyers' market. "When you make an acquisition, a large number of people come to you looking for pieces of what you have just bought," he says. "The thing I have to do is establish real market values for what we have."

In terms of immediate acquisition opportunities, the group is looking at the UK. This is partly for the strategic reason that it expects Europe to be "one of the powerhouses of the world economy in the 1990s" and partly because efficient advance corporation tax management dictates it. Mr Jackson says the group has yet to pinpoint a specific target.

The "Hansonisation" of BTR's approach to asset management raises the question of the relative ratings of the two groups' shares. For about a year, BTR has traded at a discount to Hanson. "This contrasts to the traditional picture of a sizeable BTR premium."

Analysts feel that the resumption of the traditional relationship between the two ratings could now depend on whether there is any change in the way BTR actually manages its businesses. "BTR has enjoyed a premium because they have looked to develop their business long term," according to one analyst. "The fact that BTR is to take a more Hansonian approach to takeovers shouldn't impact on the way they run their businesses."

Aside from locating a takeover target, Mr Jackson is trying to make sure that BTR gets its timing right in terms of building up stocks for the end of the recession.

He feels that this is where the group stole a march on many of its rivals after the downturn of 1982-83. BTR made permanent gains in market share by having the products to meet the upsurge in demand as recession ended.

For that reason, it is likely that BTR will risk carrying excess stock for a brief period rather than miss the boat should a sudden upturn materialise. "I would rather start our plants motoring too early than too late," he says. "I think those that are ready will increase their market share."

Uni Storebrand profits fall on underwriting losses

By Karen Fossil in Oslo

UNI STOREBRAND, Norway's biggest insurance company, said that last year's profits were hit by heavy underwriting losses outside Norway and a decline in the stock market.

Storebrand, formed in mid-January by a merger of Storebrand and Uni Forsikring, added that profits, excluding those from life insurance and before extraordinary items, plunged to Nkr345m (\$56.2m) in 1990 from Nkr819m in 1989. The company said that a negative development in the securities market resulted in booked capital gains being Nkr386m lower than in 1989. Storebrand's international non-life division plunged into a net loss of Nkr186m in 1990 after posting 1989 profits of Nkr191m. The company's re-in-

surance business was particularly hard-hit. Claims increased because of large losses incurred by the explosion of the Piper Alpha platform in the British North Sea, damage from Hurricane Hugo in the Caribbean and three other big storms. Storebrand's domestic non-life insurance business achieved good technical results but was hit by a decline in the stock market, reducing profits in 1990 to Nkr1677m from Nkr1845m in 1989.

Net investment income fell by Nkr179m as a result of reduced capital gains. Uni Forsikring's profits, excluding non-life insurance and before extraordinary items, fell to Nkr58m in 1990 from Nkr319m in 1989.

Freia Marabou ahead at Nkr443m

By Karen Fossil in Oslo

FREIA Marabou, the Norwegian confectioner, chocolate and snacks maker, yesterday announced an 8 per cent increase in 1990 pre-tax profits, before extraordinary items, to Nkr443m (\$72.14m) from Nkr410m in 1989, writes Karen Fossil in Oslo.

Freia, a Norwegian company, merged last January with Marabou, its Swedish counterpart which was founded in 1916. Group operating income rose by 7 per cent to Nkr4,792m in 1990 from Nkr4,472m a year earlier. The board proposed to increase the dividend payment to Nkr6 a share from Nkr4.

Hilldown shares climb on increase in profits to £191m

By Maggie Urry in London

BEAR RAIDERS who pushed Hilldown Holdings shares down sharply in January were somewhat confounded yesterday when the group reported a slight increase in profits for 1990. Pre-tax profits rose from a restated £188m (\$349.6m) to £191.2m.

The shares rose 8p to close at 244p in London yesterday, returning to the steady levels seen before the January slump in the price to 188p. Mr Harry Solomon, chairman, stressed Hilldown's strategy as an international food group, with food accounting for 84 per cent of sales and operating profits. He said group profits would have been greater but for the fall in profits from non-food activities. Similarly, the 14.5 per cent

fall in fully-diluted earnings to 25.3p was blamed on the non-food businesses and the issue of shares in 1989 to acquire Premier Brands. Halfway, earnings per share had been just ahead, with the damage occurring in the second half.

Mr Solomon described current trading as "generally satisfactory", but he was more confident for the future. This confidence was underlined by an 11.1 per cent rise in the dividend for the year to 8p from 7.2p. The dividend is covered 3.2 times.

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computer-and-telephone centered system like NASDAQ. On NASDAQ, there is no specialist - just a group of dealers, sitting at computer screens. Not one of them bears ultimate responsibility for the quality of the market. They're professional traders who can, in many cases, execute their own deals ahead of the public's, and they can stop trading an issue at virtually any time.

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improvement in market quality. Now we'll never deny that computers are essential to the modern financial marketplace - for years, we've been a consistent leader in trading floor technology. But until they invent a computer that runs on adrenaline, or one that feels a sense of commitment, we'll count on our specialists to create a market you can get excited about.

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Richard Hines, Group Project Manager, Prudential Corporation plc

Julian Nathan, Assistant Managing Director, Chicago Board of Trade

Crispin Southgate, Director and Head of Financial Engineering, Charterhouse Bank

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MANAGING FINANCIAL RISKS



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INTERNATIONAL COMPANIES AND FINANCE

FAI Insurance loses A\$19.9m in first half

By Kevin Brown in Sydney

FAI Insurance, Mr Rodney Adler's Australian insurance group, yesterday revealed a net loss of A\$19.9m (US\$13.5m) for the six months ended December, and forecast a further loss for the full year.

Mr Adler blamed the poor result on a run of natural disasters in Australia and said the group was confident it had "taken the necessary action" to improve results next year.

"Everything goes in cycles. This is just the bottom of the insurance cycle," he said. The interim loss, which follows underlying losses of A\$64m, compares with a profit of A\$17.5m in the first six months of last year. The dividend was cut to 4 cents from 5 cents at this stage last year.

Mr Adler said FAI had been hit by claims from an earthquake in Newcastle, New South Wales, a severe hailstorm in Sydney, and repeated flooding in Queensland.

Investment income had been

reduced by falling interest rates and a fall in the stock market. "Worldwide, it has been a very difficult year," he said.

He added that FAI had raised premium rates to compensate for the increase in claims payments, and was continuing to sell peripheral assets in order to concentrate on its core business.

"Despite a lack of short-term profits, the general insurance operation remains inherently strong," he said. Mr Adler said the FAI board would consider at the end of the year whether to adjust the value of some properties to reflect their reduced market value as a result of the weak property market.

He said the group's liquidity remained strong, with more than A\$500m available in cash and securities. FAI shares closed 1 cent lower at A\$1 on the Australian Stock Exchange, compared with a peak of A\$2.90 last year.

NBK shows assets of \$5.6bn

By David Barchard

NATIONAL BANK OF KUWAIT (NBK), the emirate's largest bank which temporarily relocated to London after the Iraqi occupation, had international assets of \$5.6bn at the end of 1990, according to its annual report, published yesterday.

The announcement coincided with the arrival in Kuwait of the first team of officials to return to the emirate since July. They are assessing the bank's infrastructure with a view to reopening operations at its 51 domestic branches.

Once services are restored, it is expected that domestic operations of NBK could be resumed rapidly. Back-up computer facilities have been prepared in London and will be flown to the emirate if the invasion computer system cannot be reactivated.

NBK has published a limited set of results for 1990, although the Central Bank of Kuwait has told the country's six main banks not to prepare 1990 results. It is the only Kuwaiti bank to prepare a 1990 balance sheet.

Bridge Oil writes off diamond investment

By Kevin Brown

BRIDGE OIL, the Australian energy group, yesterday announced a net loss of A\$81m (US\$52.3m) for the year to December, after writing off A\$131m against its investment in the Aredor diamond mine in Guinea, West Africa.

Bridge said pre-tax profit was up from A\$6.3m to A\$50m on sales up 80 per cent at A\$205m. The company said A\$14m of the pre-tax figure related to higher prices for oil, condensate and liquid petroleum gas caused by the Gulf crisis.

However, abnormal losses totalled A\$139m, including net

exchange losses of A\$44m, and A\$3.4m in settlement of outstanding commercial disputes. Bridge said it had decided to write off its investment in Aredor because of the "disappointing" performance of the mine, which produced 127,286 carats last year, a fall of 18 per cent on the previous year.

The company had already discontinued equity accounting of its interest in Aredor and therefore did not include in its accounts a net profit of A\$27,000 from the mine.

The directors said the main elements of the company's interest in Aredor were shares

worth A\$10m, construction and development loans of A\$56m, accumulated management fees of A\$20m, and accrued interest of A\$41m. But no management fees or interest on loans would be paid before 1993 because of an agreement with the government of Guinea. The project is also required to repay syndicated banking loans before commencing repayment of loans to Bridge.

The directors said Aredor's surplus cash would be used to repay loans to Bridge after 1992, but the amount repaid would depend on cash flow. "It is obvious that repayments will

have to continue beyond the current decade to fully liquidate the loans," the group said. Bridge said the profit outlook for 1991 was "uncertain" because of falls in oil prices since the end of last year, but forecast that operating profits would be maintained unless petroleum prices weakened further or the Australian dollar strengthened.

The group said it expected to begin paying dividends this year if that could be achieved without a "material reduction" in operational cash flow. The shares closed 3 cents lower at 60 cents.

Kymmene slides to FM394m

By Enrique Tessier in Helsinki

KYMMENE, one of Finland's largest forest groups, yesterday said profit after financial items during 1990 fell to FM394m (\$104.6m), against FM430m a year earlier.

Consolidated turnover grew to FM13.56bn from FM11.27bn, while operating profit fell to FM1.33bn from FM1.42bn. However, the group's International Accounting Standards result also registered a drop in profit after taxes to FM1.60m from FM1.03bn. Operating profit also fell to FM1.33bn from FM1.47bn with earnings per share plunging to FM2 from FM3.10.

The board proposes a dividend of FM1.74.

Wärtsilä, the diesel engine and bathroom equipment group, which was merged with Lohja to form Metra, reported an increase in profit before appropriations and taxes in 1990 to FM457m from a loss of FM442m a year earlier. Consolidated sales rose by 31 per cent to FM5.3bn from FM4.1bn. Wärtsilä, as part of Metra, pays no dividend.

'Outstanding' year for S Africa's Liberty Life

By Philip Gawth in Johannesburg

LIBERTY Life, the South African insurance company with extensive international interests, achieved record results in 1990 in terms of earnings, dividends and asset growth.

Attributable profits rose by 20.8 per cent to R218.1m (\$83.5m) from R180.5m. Investment income rose by 20.5 per cent to R1.47bn from R1.22bn, while premium income rose 8.2 per cent to R1.83bn from R1.6bn.

Speaking in Johannesburg yesterday, Mr Donald Gordon, chairman, said: "Liberty Life's investment record this year has been quite outstanding in an extremely difficult year."

He said a highlight of the year was a R10m bonus payout to policyholders.

Shareholders' capital and reserves rose 23 per cent from R3.35bn to R4.12bn and net

assets grew 12 per cent to R21.08bn from R18.6bn. Liberty Life is the country's largest listed insurance company.

Mr Gordon said First International Trust (FIT), the holding company for Liberty's international operations, had performed "ably" against an extremely difficult background. FIT's main interests, through transatlantic holdings, are a controlling interest in Capital and Counties, the UK property company, and a large interest in Sun Life.

Mr Gordon said the Thurnock Lakeside shopping centre in south-east England, opened last October, would be the "catalyst of Capital & Counties prosperity for years to come."

Earnings per share rose 20.5 per cent to 102.1 cents and the dividend was 36.5 per cent higher at 86 cents per share.

CONTRACTS & TENDERS

RICE EXPORT CORPORATION OF PAKISTAN (PVT) LTD. (EXPORT DIVISION)

4TH FLOOR BLOCK A, FINANCE & TRADE CENTRE
SHAH RAH-E-FAISAL, KARACHI (PAKISTAN)
TELEX NO. 23706 R.E.C.P. PK
NO. REC/EXP/TENDER BASMATI 1/91 Dated: 6-3-1991

TENDER NOTICE
EXPORT OF BASMATI RICE

Tenders on prescribed forms are invited for export of following quantities of Basmati, well cleaned aromatic rice of 1990-91 Crop on terms and conditions laid down in the Tender documents:-

	PACKING	QUANTITY
1. PAKISTAN BASMATI PAK-7 (7% BROKEN) 1990-91 Crop	45/50 kg double	In quantum of new hessian bags. 15,000 tonnes.
2. PAKISTAN BASMATI PAK-7 (7% BROKEN) 1990-91 Crop	90 kg double	In quantum of jute bags (inner serviceable outer new). 10,000 tonnes.
3. PAKISTAN BASMATI PAK-7 (7% BROKEN) 1990-91 Crop	45/50 kg double	In quantum of new hessian bags. 5,000 tonnes.

2. Tenders will be received in the Office of the Corporation up to 11.00 A.M. Wednesday the 27th March, 1991 and will be opened immediately thereafter. One representative of each tenderer may be present at the time of Tender.

3. Tender forms can be obtained from the Manager (Cash) of the Corporation during office hours on payment of Rs. 100/- per form (non-refundable) or on cashed Embassy of Pakistan. Conditional tenders will not be considered. REC reserves the right to accept or reject any or all tenders without assigning any reason.

Manager (Export)

LEGAL NOTICES

DENNIS CASTINGS LIMITED

IN RECEIVERSHIP

NOTICE IS HEREBY GIVEN that a Meeting of Creditors of the above Company, summoned under Section 482 of the Insolvency Act 1986, will be held at The Four Seasons Hotel, 100, Leinster Lane, Dundrum, North Dublin 18, 5.00 PM on Wednesday 27 March 1991, for the purpose of receiving a report by the Joint Administrative Receivers.

A person is entitled to vote only if (a) he has given to the Joint Administrative Receivers, not later than 12.00 hours on the business day prior to the meeting, details in writing of the debt that he claims to be due to him from the company, and the claim he has made has been duly admitted under the provisions of Rule 3.11 of the Insolvency Act 1986, and (b) there has been lodged with the Joint Administrative Receivers at the offices of KPMG Peat Marwick McLintock, 1 The Embankment, Nettle Street, Leeds LS1 4DW any proxy which the creditor intends to use on the ballot.

NOTICE IS ALSO GIVEN that creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting.

"Unsecured creditors of the company may obtain a copy of the Administrative Receivers' statutory report, free of charge, by writing to the above address."

Dated this 11 day of March 1991.

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COMPANY NOTICES

CANADIAN PACIFIC LIMITED

At a meeting of the Board of Directors held today, a quarterly dividend of twenty-three cents (23c) Canadian per share on the outstanding Ordinary Shares was declared, payable on April 29, 1991, to holders of record at the close of business on March 27, 1991.

BY ORDER OF THE BOARD
D. J. PUGH
VICE-PRESIDENT AND SECRETARY
CALGARY, March 11, 1991

CLUBS

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THE GOVERNMENT OF MONTSERRAT

Has revoked the Bank licences of the companies named below, with effect from the date shown;

Akron International Bank Limited	09/1/89	Fidelity Commerce Bank Limited	02/20/90	Merchants International Bank Limited	07/30/87
Allied Development Bank Limited	04/04/89	Fidelity Development Bank Limited	08/15/89	Merchants Commerce Bank Limited	02/20/90
Allied International Development Bank Limited	07/01/87	International Bank Ltd	01/15/85	Metropolitan International Bank Limited	11/14/89
Allied Overseas Bank Limited	02/20/90	Fidelity Overseas Bank Ltd	07/20/89	Metropolitan Overseas Bank Limited	09/23/82
Allied Reserve Bank Limited	02/20/90	Fidelity Trade Bank Limited	02/20/90	Metropolitan Security Bank Limited	07/11/89
Alpha Omega Bank Limited	02/20/90	Financial Guaranty Bank & Trust Limited	09/14/89	Midland International Bank Limited	07/30/87
American Bank International Limited	07/20/89	First American Bank	02/20/90	Midland Merchant Bank Limited	02/20/90
American Bank of Commerce Limited	01/15/85	First Bank of California Limited	07/30/87	Morgan Overseas Bank Limited	07/30/87
American Fidelity Bank Limited	07/30/87	First Bank of The Americas Limited	02/20/90	New Life International Bank Limited	03/03/89
American International Bank Limited	07/24/81	First Canadian Bank Limited	07/20/89	North American Bank of Commerce Limited	01/15/85
American Overseas Bank Limited	05/31/83	First City Bank Limited	07/20/89	North American International Bank Limited	07/30/87
American Reserve Bank Limited	09/14/89	First Continental Bank Limited	02/20/90	North American Overseas Bank Limited	05/31/83
American Security Bank Limited	04/04/89	First Fidelity Bank Limited	07/20/89	Northern Bank Limited	11/14/89
American Merchant Bank Limited	02/20/90	First Fidelity International Bank Limited	08/15/89	Northern International Bank Limited	07/20/89
Asian Caribbean Bank Limited	07/30/87	First Integrity Bank Limited	03/03/89	Overseas Bank Limited	04/04/89
Assured Risk Bank Limited	08/15/89	First International Bank & Trust Limited	04/04/89	Overseas Bank of Finance Limited	07/20/89
Atlantic International Bank Limited	07/30/87	First International Bank of Plymouth Limited	05/31/83	Pacific Exchange International Bank Limited	02/20/90
Atlantic Security Bank Limited	10/17/80	First International Development Bank Limited	02/20/90	Pacific Fidelity Bank Limited	02/20/90
Bahrain International Bank Limited	01/15/85	First Interstate Bank Limited	02/20/90	Pacific Overseas Bank Limited	02/20/90
Bank of Benjamin International Limited	02/20/90	First Investors Bank Limited	09/14/89	Pan American International Bank Limited	05/31/83
Bank of Catholic Family Finance Limited	01/15/85	First London Bank Limited	04/04/89	Panymor International Bank Limited	07/20/89
Bank of Commerce Limited	04/04/89	First Manhattan Bank Limited	07/20/89	Premier Global Bank Limited	03/03/89
Bank of Europe & America Limited	02/20/90	First Merchant Bank Limited	04/04/89	Prime Credit Bank Limited	07/20/89
Bank of Industry and Commerce Limited	03/26/85	First Morgan Bank Limited	04/04/89	Prudential Bank & Trust Limited	08/31/90
Bank of International Commerce Limited	07/30/87	First National Bank Limited	09/14/89	Regency Reserve Bank Limited	02/20/90
Bank of Marshall Pacific Limited	07/20/89	First Pacific Trust & Bank Limited	07/20/89	Regency Security Bank Limited	11/14/89
Bank of The Pacific Limited	08/15/89	First Regency Bank Limited	02/20/90	Regency International Bank Limited	04/04/89
Bank of Trade & Commerce Limited	02/20/90	First Reserve Bank Limited	09/14/89	Republic Commerce Bank Limited	02/20/90
Barrington Bank Limited	02/20/90	First Security Bank Limited	02/20/90	Republic International Bank Limited	07/24/81
Bentley International Bank Limited	08/15/89	First Swiss Bank Limited	11/14/89	Republic Security Bank Limited	02/20/90
Blue Sky International Bank Limited	03/03/89	First Trade Bank Limited	04/04/89	Salem Bank Limited	01/15/85
Bostonian Overseas Bank Limited	02/20/90	First Union Bank Limited	04/04/89	Security Bank of Commerce Limited	01/15/85
Brentwood International Bank Limited	02/20/90	First World Bank Limited	07/20/89	Security International Bank Limited	01/15/85
Britania International Bank Limited	03/03/89	First World Banking Corporation Limited	01/15/85	Security Overseas Bank Limited	01/15/85
British Bank of Asia Limited	11/14/89	First Zurich Bank Limited	02/20/90	Security Trust Bank Limited	11/14/89
British Bank of Commerce Limited	04/04/89	Foundation International Merchant Bank Limited	11/14/89	Sigma International Bank Limited	08/15/89
British Bank of Hong Kong Limited	07/11/89	Franklin International Bank Limited	09/14/89	Sigma Commerce Bank Limited	02/20/90
British Bank of The Americas Limited	01/22/81	Fuji International Bank Limited	08/15/89	South Seas International Bank Limited	03/03/89
British Overseas Bank Limited	11/09/82	Gibraltar International Bank Limited	05/31/83	South Bank of The Americas Limited	08/10/89
California International Bank Limited	02/20/90	Gibraltar Merchants Bank Limited	08/15/89	Sovereign International Bank Limited	03/03/89
California Overseas Bank Limited	08/31/83	Gibraltar Overseas Bank Limited	07/20/89	Standard Bank Limited	08/15/89
Canada Security Bank Limited	02/20/90	Global Chartered Bank Limited	01/15/85	Stark International Bank Limited	05/31/83
Canadian American Bank Overseas Limited	20/17/87	Grand Duchy of Luxembourg Bank & Trust Co Ltd	11/14/89	Sterling International Bank Limited	04/04/89
Canadian Credit Bank Limited	07/20/89	Grand Ionic Bank Limited	02/20/90	Sterling Investment Bank Limited	09/14/89
Canadian Overseas Bank Limited	04/04/89	Guardian Capital Bank Limited	09/14/89	Sterling Overseas Bank Limited	07/30/87
Canadian Trade Bank Limited	02/20/90	Guardian Reserve Bank Limited	09/14/89	Surety Bank of Commerce Limited	08/15/89
Capital Reserve Bank Limited	09/14/89	Gulf International Bank Limited	07/20/89	Surety International Bank Limited	01/15/85
Caribbean and Overseas Bank Limited	07/30/87	Hamilton Bank Limited	02/20/90	Surf Bank International Limited	06/01/82
Caribbean International Bank Limited	01/15/85	Handelsbank von Montserrat Limited	07/30/87	Swiss Commercial Bank Limited	07/11/89
Caribbean Investors Bank Limited	11/14/89	Hanover Investment Bank Limited	01/15/85	Swiss European Bank Limited	07/20/89
Caribbean Overseas Bank Limited	05/31/83	Hanover Merchants Bank Limited	02/20/90	Swiss International Bank Limited	01/15/85
Carlson Development Bank Limited	04/04/89	Harvard Investment Bank Limited	04/04/89	Swiss Investment Bank Limited	07/30/87
Cayman Bank Limited	11/14/89	Harvard Merchants Bank Limited	11/14/89	Swiss Investors International Bank Limited	03/03/89
Central Bank of The Americas Limited	04/04/89	Harvard Overseas Bank Limited	05/31/83	Swiss Overseas Bank Limited	09/08/82
Central National Bank Limited	07/20/89	Heritage Federal Bank & Trust Limited	08/15/89	Swiss Security Bank Limited	02/20/90
Central Pacific Bank Limited	07/11/89	Heritage International Bank Limited	07/30/87	The Regal Bank of Montserrat Limited	05/30/89
Centurion International Bank Limited	02/20/90	Heritage Reserve Bank Limited	09/14/89	Tiffany International Bank Limited	08/31/90
Century Bank Limited	02/20/90	Hong Kong China Bank Limited	04/04/89	Trade International Bank (Montserrat) Limited	01/15/85
Century Overseas Bank Limited	07/30/87	Imperial International Bank Limited	04/04/89	Tradex International Bank Limited	02/20/90
Century Reserve Bank Limited	02/20/90	Industrial Commerce Bank of Plymouth Limited	02/20/90	Trans Caribbean Bank Limited	10/20/90
Century Security Bank Limited	02/20/90	Industrial Trade Bank Limited	04/04/89	Trans National Bank Limited	01/15/85
Century Trade Bank Limited	02/20/90	Industry Reserve Bank Limited	02/20/90	Trident International Bank (Montserrat) Ltd	07/30/87
Chartered Bank of Asia Limited	08/15/89	Inter-American Bank of Commerce Limited	10/17/80	U S Investment Bank Limited	02/20/90
Chase Overseas Bank Limited	07/24/81	Intercontinental Bank Limited	01/15/85	Union Bank of Commerce Limited	04/04/89
City International Bank Limited	05/31/83	Intercontinental Bank of Commerce Limited	05/31/83	Union Chartered Bank Limited	05/31/83
City Overseas Bank Limited	07/24/81	Intercontinental First Bank Limited	08/15/89	Union Commercial Bank Limited	07/20/89
Colonial Bank Limited	07/20/89	Intercontinental Investment Bank Limited	11/14/89	Union de Bancos Interamericanos Ltd	04/17/90
Colonial International Bank Limited	05/31/83	Intercontinental Overseas Bank Limited	02/20/90	Union International Bank Limited	07/24/81
Colonial Overseas Bank Limited	05/31/83	Intercontinental Security Bank Limited	07/20/89	Union Reserve Bank Limited	06/14/89
Commerce Bank Limited	07/30/87	International Bank Limited	01/15/85	Union Security Bank Limited	04/04/89
Commerce Overseas Bank Limited	07/20/89	International Bank of London Limited	02/20/90	Union Trade Bank Limited	02/20/90
Commercial Deposit Bank Limited	01/15/85	International Bank of Montserrat Limited	04/04/89	United Bank Limited	02/20/90
Commercial National Bank Limited	02/20/90	International Exchange Bank Limited	03/03/89	United Bank of Commerce Limited	04/14/89
Commercial Trade Bank Limited	02/15/89	International Investment & Development Bank Ltd	08/15/89	United Capital Bank Limited	01/15/85
Commonwealth Bank & Trust International Limited	04/04/89	International Overseas Bank Limited	05/31/83	United International Bank Limited	07/24/81
Commonwealth International Bank Limited	05/31/83	International Private Merchant Bank & Trust Co Ltd	02/20/90	United Investors Bank Limited	10/28/85
Commonwealth Overseas Bank Limited	04/04/89	International Trade Bank Limited	03/03/89	United Overseas Bank Limited	05/31/83
Continental Credit Bank Limited	04/04/89	International United Commercial Bank Limited	04/04/89	United Security Bank Limited	04/04/89
Continental Overseas Bank Limited	07/24/81	Investors Fidelity Bank Limited	04/04/89	United Security Bank Limited	05/31/83
Continental Reserve Bank Limited	02/20/90	Investors Overseas Bank Limited	11/14/89	Universal International Trade Bank Limited	03/03/89
Continental Trade Bank Limited	02/20/90	Investors World Bank Limited	05/31/83	Wellington International Bank & Trust Company Ltd	02/20/90
Credibanca Internat'l Commercial Bank & Trust Ltd	08/31/90	Investors Trust Bank Limited	07/30/87	West Indies International Bank Limited	11/14/89
Crown International Bank Limited	05/30/89	Isthmus International Bank Limited	12/11/90	Western Overseas Bank Limited	05/29/89
Crown International Bank Limited	04/04/89	J David Banking Company Limited	03/28/85	Western Pacific Overseas Bank Limited	02/20/90
Decade Overseas Bank Limited (NC)	05/31/83	Joseph First International Bank Limited	04/04/89	Wharfedale International Bank Limited	04/04/89
Deutsche Bank (Swiss) Limited	01/15/85	Kendie International Bank Limited	05/31/83	World Bank Limited	07/30/87
Devot's Bank Limited	07/24/81	Kimberly International Bank Limited	06/24/82	World Chinese Trust Bank Limited	04/04/89
Diversified Securities Bank Limited	09/14/89	La Banque Caribbe Internationale	04/04/89	World International Bank Limited	01/15/85

SR GENT PLC

	Half year to 31 Dec 1990	Half year to 31 Dec 1989
Turnover	£72.1m	£58.9m
Pre-tax Profit	£1.3m	£1.4m
Taxation	£0.6m	£0.5m
Earnings per share	1.9p	2.3p
Dividends per share	1.25p	1.25p

- ★ Sales strong in UK
- ★ Some pressure on margins late in the period
- ★ Episode stores on target
- ★ Dividend held

Peter Wolff
Chairman

The summarised results for the half year to 31 December 1990 which are unaudited have been prepared in accordance with the accounting policies adopted in the accounts for the year to 30 June 1990.

The contents of this advertisement for which the directors of S.R. Gent plc are solely responsible have been approved for the purposes of the Financial Services Act 1986 by Price Waterhouse who are authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business. Past performance is not necessarily an indication of future performance.

CANON INC

Advice has been received from Tokyo that the 90th Ordinary General Meeting of Shareholders of the Company will be held at the Head Office of the Company, 30-2, Shimomura 3-Chome, Chiba-Ku, Tokyo, at 9 a.m. on Thursday, 28th March 1991.

Matters to be Reported

Report on the business report, balance sheet and statement of income and retained earnings for the 90th business term (from January 1st, 1990 to December 31st, 1990).

Matters to be Resolved

Approval of the profit appropriation plan for the 90th business term.

Holders of the Receipts of Bearer (EDR) and BDRs wishing to exercise their voting rights in respect of the Shares represented by the Receipts by them are reminded that, in accordance with Clause 8 of the Conditions, they must lodge their Receipts with Hill Samuel Bank Limited by 3 p.m. 21st March 1991, or with one of the sub-agents by 3 p.m. 19th March 1991, where lodgement forms are available. Voting Rights may only be exercised in respect of Depository Receipts representing Ordinary Shares on the register as at 31st December 1990.

Copies of the full text of the Notice convening the meeting are available if required.

Hill Samuel Bank Limited,
45 Beach Street,
London EC2P 2LX.

Notice is hereby given to the holders of the Receipts of Bearer (EDR) and BDRs of the Company to subscribe for shares of common stock of "KOMORI CORPORATION" (formerly "Komori Printing Machinery Co., Ltd.") issued in conjunction with U.S. \$50,000,000 3% per cent. Guaranteed Notes due 1991.

Notice is hereby given as follows:

1. Komori Corporation proposes to issue new shares of its common stock (the "Shares") by way of free distribution, whereby each shareholder of record as at 31st March, 1991, Japan time (effectively, as at 15:00 on 28th March, 1991, as 20:00 and 21st March are not business days) will be allocated new Shares at the rate of 0.1 Share per each share owned as at 31st March, 1991.

2. As a result of the foregoing transaction, the current Subscription Price for the captioned warrants shall be adjusted pursuant to Clause 3.1 of the Instrument dated 12th November, 1988 as follows:

(i) Current Subscription Price: ¥1,708.30 per Share
(ii) New Subscription Price: ¥1,558.00 per Share

The new Subscription Price shall become effective on 1st April, 1991, Japan time.

KOMORI CORPORATION
By: The Bank of Tokyo Trust Company
as Disbursement Agent

Dated: 14th March, 1991

Notice to Holders of HOYA CORPORATION (the "Company")

Bearer Warrants to subscribe for shares of common stock of the Company issued in conjunction with U.S. \$150,000,000 4% per cent. Bonds due 1993

Adjustment of Subscription Price

Notice is hereby given that with respect to the free share distribution authorized by the meeting of the Board of Directors held on 22nd February, 1991, the shareholders appearing on the register of shareholders of the Company as at 31st March, 1991 (effectively, as at 15:00 on 28th March, 1991, as 20:00 and 21st March are not business days of the Transfer Agent of the Company), will be allocated 0.1 new shares for each share held by them, and as a result of such free share distribution the Subscription Price for the Warrants shall be adjusted as follows:

1) Subscription Price before adjustment: Yen 2,273.00 per share
2) Subscription Price after adjustment: Yen 1,975.50 per share
3) Effective date of the above adjustment: 1st April, 1991 (Japan time)

HOYA CORPORATION
By: THE SANWA BANK, LIMITED
as Principal Paying Agent

Dated: 14th March, 1991

U.S. \$200,000,000

MARINE MIDLAND BANKS, INC.

Floating Rate Subordinated Notes Due 2000

Interest Rate 6 3/4% per annum

Interest Period 14th March 1991 14th June 1991

Interest Amount per U.S. \$50,000 Note due 14th June 1991 U.S. \$88.54

Credit Suisse First Boston Limited Agent

State Bank of Victoria (a business name of the Commonwealth Bank of Australia) (formerly the Commonwealth Bank of Australia)

¥15,000,000,000 7 per cent Guaranteed Bear Notes due 1992

Notice is hereby given that in accordance with Condition 4(E) of the Notes the Redemption Amount payable upon the early redemption of the Notes on 10th May, 1991 pursuant to Condition 4(C) or (D) has been fixed at ¥978,600 per ¥1,000,000 Note and ¥97,860,000 per ¥100,000,000 Note.

Notice is also given that in accordance with Condition 4(C) of the Notes the Bank will on 10th May, 1991, redeem all of the Notes at the Redemption Amounts stated above, together with accrued interest.

Repayment of principal will be made against presentation of the Notes with all unexpired coupons attached, at the specified office of any of the Paying Agents.

Coupon No. 3 due 10th May, 1991, should be presented for payment in the usual manner on or after 10th May, 1991.

Bankers Trust Company, London Agent Bank 14th March, 1991

INTERNATIONAL COMPANIES AND FINANCE

Slimline GTE gets ready to flex its muscles

Martin Dickson on the planned merger which would form the largest local telephone company in the US

MR James "Rocky" Johnson, chairman of US telecommunications group GTE, likes to keep fit. A trim 68-year-old Texan who gained his nickname for his rugged qualities as a student football player, he can be seen after work most evenings sweating away in the gym beneath GTE's headquarters in Stamford, Connecticut.

Mr Johnson seems to have applied a similar regimen at GTE, for in the three years since he took over as chairman the company has been shedding fat with the enthusiasm of a champion weight-watcher and strengthening its market muscle.

The body-building process is about to take a big leap forward. Today - thanks to final regulatory approval from California - the company is expected to consummate a \$6bn marriage with Contel, an Atlanta-based local and cellular telephone business. The biggest merger in the industry, the deal has spent the past nine months going through regulatory hoops.

It will make GTE the largest local telephone company in the US and underline its position since the court-ordered break-up of American Telephone and Telegraph in 1984 - as the only local operator with a nationwide presence. It will also make it number two in the fast-growing US cellular mobile phone business.

The takeover is the most dramatic example of an aggressive, three-year-old strategy designed to position GTE to take best advantage of the powerful, yet unpredictable,

forces - technological, regulatory and legal - which could bring revolutionary change to the local US telecommunications industry.

The industry's framework dates back to the AT&T break-up, which left AT&T in the long-distance phone business, competing against rivals such as MCI and US Sprint, and created seven regional "Baby Bell" phone companies operating local services. However, local services remained monopolies, with the nation divided between the Bell offspring and independents, such as GTE.

But the local monopoly, which has created solid profits for all these companies, is under increasing threat. Long-distance companies are seeking reductions in the rates they are charged to use the local network; private operators are trying to steal the most lucrative local business, by-passing the monopolists' lines; and cable television operators are planning new services which would offer voice communications and home entertainment, new telephone technologies, such as cellular, are expected to take an increasing slice of the pie.

Faced with this potential onslaught, the large local companies have been launching counter-offensives: seeking more freedom in pricing policies from state regulators who determine tariffs; snapping up cellular franchises; campaigning for the removal of legal barriers barring them from the cable industry; and trying to diversify.

But Wall Street generally

credits GTE with a far more nimble and aggressive approach than most of its peers, and with a distinctly different emphasis from the Baby Bells. The Bell companies, in part because of restrictions by the courts on what fields they can enter, have been diversifying away from telecoms.

But GTE, which itself went through a diversification in the days when local telephone businesses were regarded as boring cash cows, has been

concentrating its telecoms interests on services rather than hardware, where it had insufficient clout and faced heavy equipment development costs. It has divested itself of consumer communications products and its PBX business. Its digital telephone switching operations have gone into a joint venture with AT&T and GTE will phase out its involvement in that business over 15

years. It has also sharply reduced its exposure to the cut-throat long-distance market, reducing its stake in US Sprint from 50 per cent to just under 20 per cent, with an option (which currently it seems likely to exercise) to sell the rest next year.

The remaining core businesses have been undergoing large cost-cutting programmes. For example, the local telephone operations have been restructured to report to a single headquarters, based in Dallas, while staff are being cut from 35,000 to 21,000.

The result has been some strong financial figures - helped, on the local phone side, by new regulations in several states which allow companies to keep part of the savings from any increase in efficiency.

GTE's 1990 net income was \$1.5bn, up 9 per cent on 1989, while revenues and sales rose 5 per cent to \$18.4bn. Mr Johnson has a goal - very ambitious for a phone company - of a 20 per cent return on equity. Last year the figure was 15.3 per cent, up from 14 per cent in 1987.

Wall Street analysts say this bodes well for GTE's ability to produce further cost savings through the Contel merger, although in the short run this will dilute earnings.

Contel, founded in 1981 by its octogenarian chairman, Mr Charles Wohlstetter, brings to GTE a very complementary geographical mix of telephone businesses - both local and cellular. It will also catapult GTE into second place in the US cellular

market after heavily indebted McCaw Cellular Communications, with some 50m poles (head of population in areas covered by GTE services).

Critics have questioned how easily the GTE culture will accommodate a reputation for Contel, with something of a reputation for being bureaucratic and unfocused.

He also brushes aside concern on Wall Street that cellular's explosive growth may slow seriously or be challenged by rival technology, such as the Personal Communications Networks in the UK.

Mr Charles Lee, the company president, generally regarded as a strident supporter of cellular, points out that the cellular industry is estimated to be slowing from a growth rate of 45 to 50 per cent a year in 1990 to around 35 to 40 per cent. "There is no (other) business like that that I know of," he says. As for PCN, it is seen as an extension of cellular, rather than a rival.

GTE should also be well poised to move into one of the most exciting meeting points of information technologies - the provision of cable services to the home - if Congress changes the law preventing telecommunications companies entering the field.

Says Mr Lee: "There will be increased competition as every month and year goes by... and the only resource for a company like ours is to get prepared to win in the market place."



James Johnson: concentrated interests on services

going back to its roots, concentrating on building up its telecommunications operations and two smaller "core" businesses, lighting (it makes Sylvania brand products) and precision materials.

"GTE went to Oz and realised that there's no place like home," says Mr Robert Morris, an analyst with Goldman Sachs. "It has gone back to basics - but only after squan-

Iberia to increase stake in Aerolíneas Argentinas

By John Barham in Buenos Aires

MR ENRIQUE Pescarmona, a prominent Argentine businessman, is to sell his 17 per cent stake in Aerolíneas Argentinas, the privatised Argentine flag carrier, to Iberia, the Spanish airline, and to two local investors.

The departure of Mr Pescarmona clears the way for the settlement of a dispute between Iberia, Mr Pescarmona and the government. Disagreement between the three sides threatened the privatisation.

Aerolíneas is estimated to be worth \$1.1bn, suggesting that Mr Pescarmona will receive about \$187m. The government

sold 85 per cent of Aerolíneas last November.

Iberia now holds over 49 per cent of Aerolíneas, which in turn holds 100 per cent of Austral, the largest Argentine domestic carrier, further tightening Iberia's grip over domestic and international flights.

Iberia is now expected to begin looking for new Argentine partners. Its purchase of Mr Pescarmona's shares probably raises its stake in Aerolíneas above 51 per cent, making the airline ineligible for coveted flag carrier status.

Microsoft and IBM in inquiry by FTC

By Louise Kehoe in San Francisco

IBM and Microsoft, whose partnership has dominated the personal computer market for the past decade, are "co-operating with a non-public inquiry" being conducted by the Federal Trade Commission.

The FTC, charged with investigating business practices that restrict competition, declined to comment on the existence of the inquiry, or its nature.

Microsoft, the world's largest supplier of personal computer software, said it was notified by the FTC last June that an investigation was under way. IBM similarly said it was contacted about a year ago. Since then several other software companies in the US have been questioned by FTC officials in what appears to be a wide-ranging investigation of Microsoft's business practices.

Microsoft said it believed the FTC inquiry was prompted by a press release issued in November 1989 in which Microsoft and IBM jointly announced plans for development of a new operating system called OS/2 over an alternative program, Windows, which adds ease-of-use features to the long-established Microsoft DOS personal computer operating system.

In the release, the companies said the majority of their future application and systems development resources would be applied to OS/2.

The "statement of direction" encouraged several applications software companies to invest heavily in the development of programs designed to run on OS/2.

Since then, Microsoft's Windows program has been a huge success, while OS/2 has won limited support. While IBM remains focused upon OS/2 developments, Microsoft is placing increased emphasis upon Windows and has become the leading supplier of applications designed to run with Windows.

Competitors claim Microsoft's change of direction has hurt them. Microsoft said, however, it had also invested heavily in development of applications for OS/2 and said "Microsoft and IBM got burned as much as anyone else" by OS/2's lack of success.

Microsoft also pointed out the software company had "begged and pleaded other software companies to develop Windows applications before the introduction of OS/2 in 1987, but, for whatever reasons, they refused".

Nonetheless, Microsoft has been widely criticised throughout the US software industry for allegedly misleading its competitors.

According to one of the leading legal experts on the US software industry, several companies have considered filing anti-trust suits against Microsoft, but have been deterred by the prospect of lengthy and costly litigation.

Goodyear makes more cuts

By Martin Dickson in New York

GOODYEAR Tire & Rubber, the last surviving large US-owned tyre group, yesterday announced a shake-up of senior management responsibilities, 1,100 white collar jobs cuts and a sharp reduction in capital spending to combat a severe downturn in the industry.

The company, which last autumn announced plans for 3,000 job cuts, said the additional 1,100 salaries would go over the next 12 to 18 months in a continuing effort to improve productivity.

The latest round will bring to 12,000 the total of Goodyear jobs cuts - 6,700 of them white collar - since the start of 1989, reducing the total number of employees worldwide to just over 100,000.

In common with other tyre companies, Goodyear has been forced to retrench over the

past few years because of chronic over-capacity in the industry, which has led to repeated rounds of price cutting.

It said the job cuts were part of a plan to save \$150m in costs by late 1992. Capital expenditure this year was being reduced to about \$350m, from \$375m last year, and there would be a first-quarter charge of about \$65m pre-tax.

The company said that because of previous investments, consolidations and gains in efficiency, the need for lower capital spending could be achieved without "sacrificing our commitment to world class facilities and products".

Mr Tom Barrett, the chairman, said the company still expected a loss for the first quarter, even without the unusual charges, against net income of \$20.5m in 1990.

demand in the car manufacturing market and lack of consumer confidence in the replacement market.

The company also announced the streamlining of its management structure, eliminating the two executive vice-president positions responsible for the global tyre division and for general products. They will be replaced by single group president.

Mr Jacques Santas, the 49-year-old head of the tyre division, will be taking over Mr Hoyt W. 64, the president of general products, will take over as the new group president.

Goodyear last month announced fourth-quarter net income of \$11.6m on sales of \$2.5bn and a 1990 loss of \$98.3m, including \$79.1m of unusual charges, against net income of \$20.5m in 1990.

Car union loses seat on board of Chrysler

By Martin Dickson

THE United Automobile Workers, the US motor industry union, is to lose the board seat it has occupied at Chrysler for the past decade because of a reduction in the board's size.

The company announced yesterday that Mr Owen Bieber, president of the UAW, was one of five directors who would not be standing for re-election under a plan to reduce the board from 18 to 13.

The union gained the much-prized seat when Chrysler was seeking concessions from its workforce in its successful attempt to avoid bankruptcy. Mr Bieber could not be immediately reached for comment.

The company, which is trying to cut \$30m of expenses to combat a severe downturn in the US motor business, said a smaller board would both reduce costs and increase efficiency.

● Sears, Roebuck, the Chicago-based retailing group which has been widely criticised for a lacklustre profits performance, said yesterday that five directors from inside the company would be standing down from its board, which was being cut from 15 people to 10.

It said this would leave the Sears chairman, Mr Edward Brennan, as the only inside director, and was designed to boost the role of external board members.

MANAGEMENT EDUCATION & DEVELOPMENT

The FT provides to publish this survey on 15th April 1991. It will be of particular interest to the 75% of senior business managers responsible for training and personnel who are required to reach this important audience, call Sam Mason on 071 873 3249 or fax 071 873 3064.

FINANCIAL TIMES

Europe's leading business magazine

An important announcement to our stockholders:

Copies of the 1990 Annual Report of Citicorp can now be obtained from:-

Citicorp, N.A., 336 Strand, London WC2R 1HB, telephone 071-438 0959 between the hours of 9.30am and 4pm Monday to Friday.

Postal applications should be addressed for the attention of Lynne Letts, Corporate Affairs.

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INTERNATIONAL CAPITAL MARKETS

Agency puts Quebec bonds on creditwatch

By Bernard Simon in Toronto and Robert Gibbins in Montreal

A CANADIAN credit rating agency has put bonds issued by Quebec and Quebec Hydro on its watchlist in view of growing uncertainty over the francophone province's political future.

Canadian Bond Rating Service made the move following last weekend's decision by Quebec's ruling Liberal Party to press for a referendum on sovereignty by the end of 1992 if the federal government has not agreed by then to transfer sweeping powers to the province.

Mr Robert Bourassa, premier, has subsequently indicated, however, that he will not be bound by the hardline decision and still prefers a federalist solution.

Quebec is the largest North American borrower on international capital markets after the World Bank. Hydro Quebec, whose securities are guaranteed by the provincial government, has indicated that it needs to borrow between C\$3bn and C\$4bn a year over the next decade to finance huge hydro-electric projects for power exports to the north-east US.

CBRS, which is the smaller of Canada's bond-rating services, said that the range of possible outcomes in the debate on Canada's political future is sufficiently large to introduce a high degree of uncertainty into the present outlook. It has become impossible to predict with any satisfactory level of confidence the level of risk to bond holders.

However, an official at the more influential Moody's Investor Service said yesterday that the New York agency was unwilling to signal a change in a borrower's creditworthiness based only on a political party conference.

Moody's, which gives Quebec bonds a rating of A-3, is waiting for the province to table its formal constitutional demands to Ottawa, and for the provincial budget, which is likely to be tabled within the next month or two. Both Moody's and Standard & Poor's plan to review their Quebec ratings later this spring.

The growing separatist mood in Quebec has so far had a greater impact on the domestic than the international bond market. Canadian investors virtually boycotted a 10-year domestic issue earlier this year. But the yield spread on Quebec's foreign-currency

debts, after widening markedly last summer, has recently returned to more normal levels. A trader at Wood Gundy in London said yesterday that the CBRS report had no impact on demand for Quebec bonds in Europe.

Hungarian bank plans worldwide issues of \$1bn

THE Hungarian National Bank will issue \$1bn in bonds in world markets this year, as it did last year, Reuter reports.

Mr Frigyes Hazsary, vice-president, told an investment seminar in Tokyo the issues will include samurai bonds.

The issues are part of Hungary's efforts to repay its foreign debt, which stood at \$21bn at end-1990.

Arab bank has \$500m capital

A FOREIGN trade bank planned by the Arab Maghreb Union (AMU) will have a capital of \$500m, shared equally between the five member-states, Reuter reports from Tunis.

The creation of the Maghreb Investment and Foreign Trade Bank was recently approved at a summit meeting of AMU members in Algeria, Libya, Mauritania, Morocco and Tunisia. The bank will fund joint agricultural and industrial projects, encourage movement of capital and develop trade between AMU states.

Mexican bank sale attracts 17 bids

SEVENTEEN groups have bid for the first three Mexican banks for sale under the government's sweeping bank privatisation programme, Reuter reports from Mexico City.

Seven bids were made for Multibanco Mercantil in Mexico, five for Banorte and five for Banco Credi. All three banks have a combined working capital of some \$200m. The interested groups were not identified.

Non-Mexicans are barred from buying controlling shares in Mexican banks. Banorte has 100 outlets in northern Mexico and in the capital.

Treasuries harden as Fed chief hints at rate cuts

By Karen Zagor in New York and Simon London in London

US Treasuries were firmer yesterday morning, with the market taking strength from weak auto sales figures from Ford and comments by Mr Alan Greenspan, chairman of the Federal Reserve.

At mid-session, the Treasury's bellwether 30-year bond was 1/8 higher at 96 1/2, yielding 8.22 per cent, while the two-year note was up 1/8 to yield 6.99 per cent. The Federal Reserve refrained from operating in the open market for a second day, but with Fed funds trading close to their newly-perceived target of 6 per cent, analysts said there were no policy implications in the lack of intervention. At midday, Fed funds were changing hands at 5 1/2 per cent.

Mr Greenspan said there was more room for lower rates than a few months ago. Testifying before the joint economic committee of congress, Mr Greenspan confirmed the Fed had eased monetary policy on Friday.

GOVERNMENT BONDS

day and said the economy had continued to contract until the end of February. However, he added that lower oil prices and interest rates, with improved consumer sentiment following the end of the Gulf war, pointed to a recovery near the middle of the year.

Bonds were also boosted by an unexpectedly large decline in early March auto sales at Ford. The sales of US-made cars fell 12.6 per cent.

Yesterday morning's retail data was mixed for the bond market.

The 0.8 per cent rise in February was larger than expected, but January is considered more important than February and January data were revised to a decline of 1.4 per cent from 0.9 per cent.

EUROPEAN government bond markets were mostly weaker yesterday, with sentiment depressed when an anticipated cut in Spanish interest rates did not materialise.

Since the peseta is the strongest currency in the European exchange rate mechanism, a cut in Spanish rates is widely seen as being the trigger for an easing of monetary conditions in other countries.

However, at yesterday's repurchase operation, the Bank of Spain maintained its intervention rate at 14.50 per cent. This came in the wake of broad money supply figures for February which showed year-on-year growth of 15.8 per cent, against a target range of 6 to 9 per cent.

The Bank of Spain and the Bank of France were actively supporting the French franc at the expense of the peseta yesterday, suggesting that ERM pressures will not yet be relieved by interest rate adjustments.

On the German government bond market, the benchmark 9 per cent bond maturing 2001 closed 1/4 point lower on the day for a yield of 8.37 per cent.

UK government bond prices weakened even more, with the market focusing on the growing political divisions within the Conservative party over

BENCHMARK GOVERNMENT BONDS

	Coupon	Rate	Price	Change	Yield	Week	Month
UK GILTS							
13.500	08/02	103.28	-0.25	10.77	11.00		
9.000	03/00	92.29	-0.23	10.12	10.05		
9.000	10/08	91.28	-0.22	9.90	9.80		
US TREASURY							
7.750	02/01	97.26	+0.52	8.07	8.10		
7.875	02/01	95.28	+0.25	8.22	7.95		
JAPAN							
No 118	06/00	98.3000	-0.12	7.04	7.00		
No 129	03/00	98.5800	-0.25	6.65	6.61		
GERMANY							
9.000	01/01	104.1000	-0.25	8.36	8.31		
FRANCE BTAN							
9.000	02/98	99.3724	-0.182	9.15	9.23		
OAT							
9.500	01/01	103.3300	-0.310	8.97	9.03		
CANADA							
8.750	08/01	101.4250	-0.350	9.52	9.64		
NETHERLANDS							
8.500	02/01	99.1800	-0.250	8.63	8.61		
AUSTRALIA							
13.000	07/00	108.5831	-0.181	11.47	11.52		
BELGIUM							
10.000	06/00	105.0500	-0.200	9.15	8.98		

London closing, "denotes New York morning session Prices: US, UK in 32nds, others in decimal Yields: Local market standard Technical Data/ATLAS Price Sources

ment depressed when an anticipated cut in Spanish interest rates did not materialise.

Since the peseta is the strongest currency in the European exchange rate mechanism, a cut in Spanish rates is widely seen as being the trigger for an easing of monetary conditions in other countries.

However, at yesterday's repurchase operation, the Bank of Spain maintained its intervention rate at 14.50 per cent. This came in the wake of broad money supply figures for February which showed year-on-year growth of 15.8 per cent, against a target range of 6 to 9 per cent.

The Bank of Spain and the Bank of France were actively supporting the French franc at the expense of the peseta yesterday, suggesting that ERM pressures will not yet be relieved by interest rate adjustments.

On the German government bond market, the benchmark 9 per cent bond maturing 2001 closed 1/4 point lower on the day for a yield of 8.37 per cent.

UK government bond prices weakened even more, with the market focusing on the growing political divisions within the Conservative party over

the poll tax (local community charge).

The benchmark 11 1/2 per cent government bond issue maturing 2003/2007 closed nearly a point lower at 108 1/2, for a yield of 10.36 per cent.

On the London International Financial Futures Exchange, the long gilt futures contract closed at 90.29, having opened the day at 91.16.

THE JAPANESE government bond market continued to trade within a tight range yesterday ahead of a fresh batch of economic statistics today and tomorrow.

The benchmark government bond issue No 129 closed the Tokyo day on a yield of 6.635 per cent, having opened at 6.59 per cent. The benchmark traded at around the 6.63 per cent level during London trading.

Prices found support from Mr Alan Greenspan's testimony to the US congress. His comments were seen as positive for Japanese government bonds since the yen would strengthen if US interest rates are cut further.

Today, the authorities will announce wholesale prices data for February; tomorrow, money supply figures for February will be revealed.

Malaysian group buys stake in bank

MALAYSIA'S Hong Leong Credit has entered into a conditional agreement to buy a 20 per cent stake in Ban Hin Lee Bank, Reuter reports from Kuala Lumpur.

Hong Leong Credit also

announced that Zalik Securities, its 51 per cent owned stockbroking subsidiary, would be listed on the Kuala Lumpur Stock Exchange through a new holding company. The holding company, Zalik, is to acquire

Zalik Securities through a share swap with the existing shareholders. The purchase of the stake in Ban Hin Lee would be satisfied by the issue of new Zalik shares, Hong Leong Credit said.

FT/IBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 8:10 pm on March 13

ISIN	Country	Face	Yield	Price	Change	Yield	Week	Month
US DOLLAR STRAIGHTS								
130 101 01	USA	100	10.11	103.28	-0.25	10.77	11.00	
130 101 02	USA	100	10.11	92.29	-0.23	10.12	10.05	
130 101 03	USA	100	10.11	91.28	-0.22	9.90	9.80	
130 101 04	USA	100	10.11	97.26	+0.52	8.07	8.10	
130 101 05	USA	100	10.11	95.28	+0.25	8.22	7.95	
130 101 06	USA	100	10.11	98.30	-0.12	7.04	7.00	
130 101 07	USA	100	10.11	98.58	-0.25	6.65	6.61	
130 101 08	USA	100	10.11	104.10	-0.25	8.36	8.31	
130 101 09	USA	100	10.11	99.37	-0.18	9.15	9.23	
130 101 10	USA	100	10.11	103.33	-0.31	8.97	9.03	
130 101 11	USA	100	10.11	101.42	-0.35	9.52	9.64	
130 101 12	USA	100	10.11	99.18	-0.25	8.63	8.61	
130 101 13	USA	100	10.11	108.58	-0.18	11.47	11.52	
130 101 14	USA	100	10.11	105.05	-0.20	9.15	8.98	
130 101 15	USA	100	10.11	103.28	-0.25	10.77	11.00	
130 101 16	USA	100	10.11	92.29	-0.23	10.12	10.05	
130 101 17	USA	100	10.11	91.28	-0.22	9.90	9.80	
130 101 18	USA	100	10.11	97.26	+0.52	8.07	8.10	
130 101 19	USA	100	10.11	95.28	+0.25	8.22	7.95	
130 101 20	USA	100	10.11	98.30	-0.12	7.04	7.00	
130 101 21	USA	100	10.11	98.58	-0.25	6.65	6.61	
130 101 22	USA	100	10.11	104.10	-0.25	8.36	8.31	
130 101 23	USA	100	10.11	99.37	-0.18	9.15	9.23	
130 101 24	USA	100	10.11	103.33	-0.31	8.97	9.03	
130 101 25	USA	100	10.11	101.42	-0.35	9.52	9.64	
130 101 26	USA	100	10.11	99.18	-0.25	8.63	8.61	
130 101 27	USA	100	10.11	108.58	-0.18	11.47	11.52	
130 101 28	USA	100	10.11	105.05	-0.20	9.15	8.98	
130 101 29	USA	100	10.11	103.28	-0.25	10.77	11.00	
130 101 30	USA	100	10.11	92.29	-0.23	10.12	10.05	
130 101 31	USA	100	10.11	91.28	-0.22	9.90	9.80	
130 101 32	USA	100	10.11	97.26	+0.52	8.07	8.10	
130 101 33	USA	100	10.11	95.28	+0.25	8.22	7.95	
130 101 34	USA	100	10.11	98.30	-0.12	7.04	7.00	
130 101 35	USA	100	10.11	98.58	-0.25	6.65	6.61	
130 101 36	USA	100	10.11	104.10	-0.25	8.36	8.31	
130 101 37	USA	100	10.11	99.37	-0.18	9.15	9.23	
130 101 38	USA	100	10.11	103.33	-0.31	8.97	9.03	
130 101 39	USA	100	10.11	101.42	-0.35	9.52	9.64	
130 101 40	USA	100	10.11	99.18	-0.25	8.63	8.61	
130 101 41	USA	100	10.11	108.58	-0.18	11.47	11.52	
130 101 42	USA	100	10.11	105.05	-0.20	9.15	8.98	
130 101 43	USA	100	10.11	103.28	-0.25	10.77	11.00	
130 101 44	USA	100	10.11	92.29	-0.23	10.12	10.05	
130 101 45	USA	100	10.11	91.28	-0.22	9.90	9.80	
130 101 46	USA	100	10.11	97.26	+0.52	8.07	8.10	
130 101 47	USA	100	10.11	95.28	+0.25	8.22	7.95	
130 101 48	USA	100	10.11	98.30	-0.12	7.04	7.00	
130 101 49	USA	100	10.11	98.58	-0.25	6.65	6.61	
130 101 50	USA	100	10.11	104.10	-0.25	8.36	8.31	
130 101 51	USA	100	10.11	99.37	-0.18	9.15	9.23	
130 101 52	USA	100	10.11	103.33	-0.31	8.97	9.03	
130 101 53	USA	100	10.11	101.42	-0.35	9.52	9.64	
130 101 54	USA	100	10.11	99.18	-0.25	8.63	8.61	
130 101 55	USA	100	10.11	108.58	-0.18	11.47	11.52	
130 101 56	USA	100	10.11	105.05	-0.20	9.15	8.98	
130 101 57	USA	100	10.11	103.28	-0.25	10.77	11.00	
130 101 58	USA	100	10.11	92.29	-0.23	10.12	10.05	
130 101 59	USA	100	10.11	91.28	-0.22	9.90	9.80	
130 101 60	USA	100	10.11	97.26	+0.52	8.07	8.10	
130 101 61	USA	100	10.11	95.28	+0.25	8.22	7.95	
130 101 62	USA	100	10.11	98.30	-0.12	7.04	7.00	
130 101 63	USA	100	10.11	98.58	-0.25	6.65	6.61	
130 101 64	USA	100	10.11	104.10	-0.25	8.36	8.31	
130 101 65	USA	100	10.11	99.37	-0.18	9.15	9.23	
130 101 66	USA	100	10.11	103.33	-0.31	8.97	9.03	
130 101 67	USA	100	10.11	101.42	-0.35	9.52	9.64	
130 101 68	USA	100	10.11	99.18	-0.25	8.63	8.61	
130 101 69	USA	100	10.11	108.58	-0.18	11.47	11.52	
130 101 70	USA	100	10.11	105.05	-0.20	9.15	8.98	
130 101 71	USA	100	10.11	103.28	-0.25	10.77	11.00	
130 101 72	USA	100	10.11	92.29	-0.23	10.12	10.05	
130 101 73	USA	100	10.11	91.28	-0.22	9.90	9.80	
130 101 74	USA	100	10.11					

INTERNATIONAL CAPITAL MARKETS

Contrasting issues turn spotlight on sterling sector

By Simon London

FOLLOWING THE \$500m issue by British Gas on Monday, the sterling sector of the international bond market was again the focus of attention, with three contrasting new issues.

Moreover, there are persistent rumours of a \$500m 10-year Eurosterling issue in preparation, probably for a sovereign borrower.

East Midlands Electricity became the first of the newly privatised UK electricity distribution companies to come to the international market, launching a £150m issue maturing 2015.

The deal was priced by lead manager Barclays de Zoete Wedd to yield 100 basis points over the UK government's 9 per cent gilt issue maturing 2008.

The pricing gives a yield

pick-up of 20 basis points over Anglian Water's £100m bond issue maturing 2014. According to the lead manager, this differential reflects the more cyclical nature of the electricity distribution business. It may also reflect slightly weaker covenants on this deal when

INTERNATIONAL BONDS

compared with the Anglian Water issue. For example, East Midlands is allowed wider borrowing limits and the conditions under which the investor put option is exercisable are more limited.

The lead manager said demand was dominated by UK institutional investors and the

regular coupon payments on the Italy bonds.

The final tranche is of £400m face value, the repayment of which will be met from the final maturity payment on the Italy bonds.

Goldman said the bonds were priced to yield between 9 per cent and 9.5 per cent but declined to reveal precise yields.

One of the problems with strip issues in the US has been finding investors willing to take the longer-dated, smaller tranches of zero-coupon bonds for between 10 and 20 years.

The maturity payments of these bonds will be met from

bonds traded at around the issue price of 100.80.

Temple Court Mortgages No 2, a special purpose vehicle of Legal & General, came with a £150m two-tranche issue backed by a portfolio of residential mortgages.

Lead managed by S.G. Warburg, the deal's two tranches have an average life of 1.18 years and 4.16 years. The discounted margins are 52 basis points and 75 basis points respectively, which is comparable with recent issues and suggests prices have stabilised in the sterling mortgage-backed sector - at least at the shorter maturities.

Swedish Export Credit added £100m of paper to its existing £150m issue maturing 1996. The new paper was offered by Bankers Trust International at a spread of 38 basis points over the benchmark five-year UK government stock, against a spread of just 12 basis points on the outstanding paper.

The lead manager said that the substantial pick-up was necessary because the outstanding paper traded expensively - being the only truly liquid five-year sterling issue.

Elsewhere, Province of Ontario broke the run of small, retail-targeted deals in the Canadian dollar sector as it issued a five-year UK debt lead managed by Wood Gundy.

Ultramar, the UK oil company, has filed a preliminary prospectus with the Canadian authorities for an issue of debentures exchangeable into ordinary shares and warrants.

Meeschaert warns on further cuts in expenses

By George Graham Paris

MEESCHAERT-Rouselle, the Paris stockbroker controlled by France's Axa insurance group, managed to cut its losses last year to FF22.9m (\$4.3m) against FF78.6m in 1989, but warned yesterday it was near the limit of what it can do to cut expenses further.

"With daily trading volume on the main stock market at FF1.5bn, we couldn't avoid further losses, though with the improvement in volume we have a serious possibility of breaking even. It seems to me we are approaching the limits of what is possible as a broker," said Mr Gérard de la Martinière, Meeschaert's chairman.

Meeschaert, which used to be France's largest stockbroker before undergoing a radical pruning, is unusual in publishing its losses, but a considerable proportion of the 48 firms remaining active on the market are also expected to have lost money last year, especially during the months of low equity trading volume following the Iraqi invasion of Kuwait.

Many others made only a few million francs profit, not enough to cope with any downturn in business nor to pay for the heavy computer investments required for Paris's new Relit settlement system. Relit will be especially burdensome this year, as during a transitional phase when the firm will have to run both their old settlement systems and their new Relit systems.

A few firms continued to make significant profits last year. Chevreton de Virieu, the broker controlled by Banque Indosuez, made FF40m profits last year and Cholet-Dupont, Courcouronnes (controlled by Paribas) and Bactot-Aillain (controlled by Warburg) are also expected to have produced roughly this level of earnings.

Mr de la Martinière said Meeschaert had trimmed its operating losses last year to FF35.6m, against FF127.6m the previous year, as a result of cutting its operating expenses by 30 per cent and increasing revenue by 35 per cent.

Sterling rides out the currency flows

Peter Marsh on the impact of London's sophisticated financial market

DO Britain's highly-developed financial markets hinder or help the job of keeping sterling stable within the European exchange rate mechanism (ERM)?

The question arises after the publication yesterday of government figures showing a surge of capital flowing out of Britain at the end of last year due to trade in equities, bonds and other financial instruments.

The large transfer in so-called portfolio investments may have helped to weaken sterling, although this effect was countered by large amounts of money coming into Britain in the form of direct investment by companies.

Assuming the flow of portfolio capital out of Britain continues, some economists believe the UK government may run into problems in the next few months in managing sterling within the mechanism.

In the final three months of 1990, net portfolio investment out of Britain totalled £11.3bn, reversing the trend of the first nine months when there was a net inflow into the country of nearly £2bn.

Against this, the figures for direct, corporate investment helped sterling.

Due to cash-strapped British companies cutting back on overseas acquisitions - and also to a large volume of UK investment by overseas groups - last year was the first for a decade in which more money came into Britain in direct investment than went out.

Net direct investment into Britain came to £2.5bn in 1990, against a net outflow of £4bn the year before.

An additional element in the equation is the revelation in yesterday's figures that transfers into Britain due to income on banking transactions - part of the country's invisible trade - was much higher than expected.

That would have been another factor aiding sterling. Discussion on capital flows is complicated by the figures often being unreliable - due to the sheer scale of the world's financial transactions - and out of date.

They are invariably subject to large revisions months after the initial estimates.

Total flows of long-term capital in and out of Britain are estimated at some £2,000bn a



A leading dealing room: one economist has described capital flows as "a timebomb"

year, or nearly 10 times the total transactions arising from the UK's trade in goods and services.

The figures do not include transfers of short-term capital, which are driven largely by interest-rate changes.

Before Britain entered the ERM last October, fears were expressed that the UK's large and volatile capital flows could push sterling out of its currency band on a regular basis.

The problems, it was argued, were far worse for Britain than for other European nations which are already part of the mechanism and which have less active financial markets.

In the event, the pound has remained relatively stable, never departing far enough from its DM2.95 central rate to ring alarm bells at either the Bank of England or the Treasury.

But the worries have not gone away. "The capital flows are like a time bomb; the government has glossed over their significance," said Mr Richard Jeffrey, an economist at Hoare Govett, the stockbroker.

The Treasury, however, "does not foresee any problems," according to a spokesman.

He added that the large transfers illustrated an efficient working of market forces, which if anything would buttress Britain's ERM position.

Despite the difficulty with interpreting the figures, Mr Mark Cliffe and Mr Chris Dillow, economists at Nomura Research Institute, believe that the overall trends are clear enough and indicate difficulties for Britain within the ERM.

They say there has been a reasonable correlation in the past decade between net transfers in and out of Britain and the exchange rate.

For most of the 1980s, more money went out of the country than came in, weakening the pound's value.

But Mr Cliffe and Mr Dillow think that in the next six months more money will be channelled out of Britain as UK institutions switch assets out of cash into overseas financial instruments, in the belief that foreign exchanges will outperform the London market. The outward flows may cause pressure on the pound and require a rise in base rates, at just the time when the government is trying to reduce them to revive the economy.

Mr Peter Spencer, UK economist at Shearson Lehman Brothers in London, shares some of these worries.

He says there is danger that more capital will start to flow out of Britain if financial markets lose confidence that Britain is bucking down to the discipline of the ERM.

"Everything will depend on how well we manage the ERM process, as manifested by what happens over the next few months on wage increases," he said.

This gloomy view of the future, however, is not universally shared. Other possibilities which could be more positive for sterling include:

• Britain's ERM entry, in changing perceptions of the currency risk attached to sterling, might attract more foreign investors into UK bonds and shares, pushing up the pound's value.

• More overseas investment might flow in to Britain over the next two years, particularly if economic growth picks up later in the year.

• The UK government might learn to live with the ERM, honing its techniques of changing interest rates to adjust to whatever cycle of capital flows happens to be in place. Such fine-tuning will certainly be required should Britain switch to a narrow, 2.5 per cent ERM band instead of its current band which allows sterling to move by relatively wide margins of 6 per cent against the other currencies.

• Even if the government reduces base rates over the next few months from their current 13 per cent, the flows of "hot money" into Britain might be enough to keep sterling steady - whatever happens to longer-term transfers.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount	Coupon	Price	Maturity	Fees	Book runner
STERLING						
East Midlands Elec. (a)	150	12	100.802	2015	25/100	BZW
Swedish Export Credit (b)	100	10 1/2	100	2031	24/522.5	SG Warburg Secs.
Temple Court Mgt No.2 (b)(i)	75	(b)	100	2031	28/250	SG Warburg Secs.
Temple Court Mgt No.2 (b)(ii)	75	(c)	100	2031		
CDLs						
Esprit Trust Lux. SA (a)(i)	1,140m	(i)	(i)	2003	2 1/2 1/2	Goldman Sachs
Esprit Trust Lux. SA (a)(ii)	100	(b)(4-9)	100	2003		UBS Phillips & Drew
CANADIAN DOLLARS						
Province of Quebec (a)	500	10 1/2	101 1/2	1998	1 1/2 1/2	Wood Gundy
BP America Inc. (a)(i)	100	10 1/2	101.95	1998	1 1/2 1/2	Dresdner Bank
FRANCO FRANCES						
World Bank (a)(i)	1bn	9 1/2	98.80	1998	25/100	Credit Lyonnais
D-MARKS						
Tesumil Manufacturing (a)(i)	80	4 1/2	100	1996	2 1/2 1/2	Dalmeida Gersoni GmbH

---Private placement. (a) Convertible. (b) With equity warrants. (c) Floating rate note. (Final terms.) (d) Non-callable. (e) Coupon pays 100p over 3-month Libor in 1992. Average life - 1.19 years. Callable at par from 1992. (f) Coupon pays 100p over 3-month Libor, then pays 100p over 3-month Libor in 1992. Average life - 4.16 years. Callable at par from 1992. (g) Coupon pays 100p over 3-month Libor, then pays 100p over 3-month Libor in 1992. Average life - 4.16 years. Callable at par from 1992. (h) Coupon pays 100p over 3-month Libor, then pays 100p over 3-month Libor in 1992. Average life - 4.16 years. Callable at par from 1992. (i) Coupon pays 100p over 3-month Libor, then pays 100p over 3-month Libor in 1992. Average life - 4.16 years. Callable at par from 1992. (j) Coupon pays 100p over 3-month Libor, then pays 100p over 3-month Libor in 1992. Average life - 4.16 years. Callable at par from 1992. (k) Coupon pays 100p over 3-month Libor, then pays 100p over 3-month Libor in 1992. 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(z) Coupon pays 100p over 3-month Libor, then pays 100p over 3-month Libor in 1992. Average life - 4.16 years. Callable at par from 1992. (aa) Coupon pays 100p over 3-month Libor, then pays 100p over 3-month Libor in 1992. Average life - 4.16 years. Callable at par from 1992. (ab) Coupon pays 100p over 3-month Libor, then pays 100p over 3-month Libor in 1992. Average life - 4.16 years. Callable at par from 1992. (ac) Coupon pays 100p over 3-month Libor, then pays 100p over 3-month Libor in 1992. Average life - 4.16 years. Callable at par from 1992. (ad) Coupon pays 100p over 3-month Libor, then pays 100p over 3-month Libor in 1992. Average life - 4.16 years. Callable at par from 1992. (ae) Coupon pays 100p over 3-month Libor, then pays 100p over 3-month Libor in 1992. Average life - 4.16 years. Callable at par from 1992. (af) Coupon pays 100p over 3-month Libor, then pays 100p over 3-month Libor in 1992. Average life - 4.16 years. Callable at par from 1992. 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UK COMPANY NEWS

Next makes the case for Otto bid

By John Thornhill

NEXT, the troubled retailing and mail order group, yesterday presented shareholders with its arguments for recommending Otto Versand's £151m bid for its Grattan mail order business, even though it is 24m lower than a rival offer from Sears.

At a tense shareholders' meeting, Sir David Wolfson, Next's chairman, explained the disposal of Grattan was not just a transaction concerning a sale of an asset. It also involved the purchase of £50m worth of "substantial and essential" services over the next four years from the future owners of Grattan.

Those services, including administrative, computer, data processing and delivery agreements, were essential for the future viability of the Next Directory, the company's growing home shopping business, Sir David said.

The provision of those services had already been discussed with Otto and outlined in a three-page letter, which would be forwarded on completion of the offer.

Although Sears had said its offer would be identical in every respect, Sir David said it would be foolish to put the future of the business in the hands of a direct competitor.

"It is only common sense to understand that Sears has no competitive interest in seeing



Sir David Wolfson: Sears had originally been a life-line

Next prosper," Sir David said. "Rather than we have decided to sell Grattan at the end of last year as the company's financial position was becoming acute. Next therefore approached Sears as the most likely potential purchaser and was told it was prepared to pay between £155m and £175m, which was later reduced to

between £125m and £155m. "If you are drowning in a sea of debt and you see a life-line who is pulling you out of the water," Sir David said. "If there had been no other offer for Grattan we would indeed have proceeded to sell to Sears. But we now have a choice of offers and either gives us a financially secure business."

Sir David explained that "the negotiations with Otto were swift and satisfactory. Those with Sears were not."

In an unusual move, Mr Geoffrey Maitland Smith, Sears' chairman, was given an opportunity to respond to Sir David's presentation.

Mr Maitland Smith, whose company has a shareholding of just under 3 per cent in Next, politely took issue with much of Sir David's case, and said: "We do have the impression that they are people straining for a reason to prefer Otto."

He argued that Sears had made the highest cash offer and asserted: "Sears is able to service fully all the requirements of Next and the Next Directory as well as, if not better, than Otto."

Next's shareholders will now vote on Otto's offer at an extraordinary general meeting adjourned until next Friday.

Sears' £155m offer remains open until March 26.

Subsidiary sale cuts Logitek's borrowings

By Michio Nakamoto

LOGITEK, the computer services group which last week received proposals for a bid by Microvite, a computer peripherals manufacturer, announced that it is selling a subsidiary.

The company is Azlan, its networking distribution offshoot, which is being bought by its management for £4.3m cash.

On completion, Azlan's management will repay inter-company debt of about £300,000 and assume its external borrowings, which amounted to about £2m net at the end of February.

That will have the effect of reducing Logitek's own borrowings by some £2.4m, net of expenses, and improve its high gearing level of 86 per cent at the 1989 year end.

Logitek also warned in its announcement yesterday that profits in the year to March 31 would be affected by the difficult trading conditions in the second half, high interest rates, and the effects of provisions for obsolete stock.

This warning follows a poor performance in the first half of the year to September 30, when pre-tax profits plunged from £1.31m to £145,000.

The company had suffered from high interest charges following a string of acquisitions; also there were provisions to cover a customer's dispute at CSM, its business that supplies software to the accountancy profession.

Group accounts for the 11 months to March 31 1990, which were prepared for the Azlan sale, show that Azlan contributed £245,000 pre-tax profits on turnover of £14.9m. Its net assets were £1.5m.

Geographical spread provides stabilising factor Core food businesses help Hillsdown edge up to £191m

By Maggie Urry

ALTHOUGH Hillsdown Holdings barely increased annual pre-tax profits last year, from £189m to £191.2m, Mr Harry Solomon, chairman, said that the core food businesses performed well.

Organic growth in operating profits from the food activities was 23.2 per cent, while acquisitions boosted that rise to 45.8 per cent. Food now accounts for 84 per cent of the group's sales and operating profits.

Last July Hillsdown swapped Maple Leaf Mills, its Canadian business, for shares in Canada Packers, the Toronto-based food group, and paid C\$300m (then £134m) to buy further shares taking its stake to 56 per cent. This deal had a neutral effect on earnings.

Mr Solomon said that food - particularly added value products and processed food - was a growth industry, and that larger groups such as Hillsdown were best placed to withstand consumer concerns such as the salmonella and BSE scares of 1989 and 1990.

Hillsdown's geographical spread, with about a third of profits now made overseas, was another stabilising factor, Mr Solomon said.

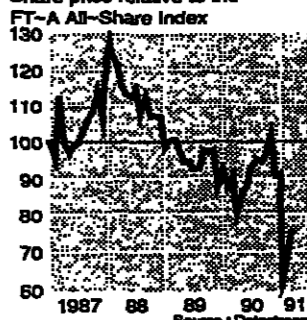
The group's non-food activities held back the 1990 results; but Mr Solomon said that these were all well-managed businesses which would recover once interest rates declined.

The Fairview housebuilding company had increased unit sales by a third in spite of difficult market conditions, he said. There was pent-up demand for furniture which would help that business once the economy began to recover.

Total sales were 14.3 per cent higher at £4.22bn (£3.69bn). Operating profits were up 6.4 per cent at £244.5m. This was after a £12.2m drop to £3.4m in profits from related companies, largely because of the decline into losses of Wickes, the DIY retailer in which Hillsdown has a 19.3 per cent stake. Other income, mainly rents on the

Hillsdown holdings

Share price relative to the FT-A All-Share Index



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UK COMPANY NEWS

Redundancy costs a key factor in T&N's 16% fall

By Jane Fuller

HE £14m cost of cutting 2,400 jobs, at an average of £5,800 a head, was one of the main reasons for a 16 per cent fall in pre-tax profit at T&N, the automotive components and general engineering group.

Nearly 80 per cent of the job losses were in the UK, where 19,000 of the group's 42,000 workforce are employed.

Taxable profit fell to £70.5m (£94m) on sales up 5 per cent to £1.25bn (£1.19bn). The worse-than-expected results knocked 50p off the share price, which closed at 188p.

Turnover would have been over without the £78m four-month contribution from JPI in the US, bought for \$190m (£102m) and accompanied by a £127m rights issue.

JPI contributed £8m to operating profit of £106.5m (£122.5m). The total included a redundancy bill £10m higher than last year and an adverse currency movement of £8m.

Net debt rose to £248.5m (£153m), fed by the \$90m borrowings brought in by JPI last year. The company's debt-equity ratio went up to 93 (31) per cent and interest payments to £27.4m (£20.8m). This was more than offset by a £8.7m fall in asbestos-related costs to £11.4m.

Earnings per share fell further than profits because of the greater number of shares and a higher tax charge of 29 per cent (22 per cent), aggravated by unrecovered Advanced Corporation Tax.

The final dividend was nevertheless maintained at 7.25p, making a total of 10.85p (10.75p). Cover fell from 2.1 to 1.4 times.

Mr Colin Hope, chairman, said the job cuts had not reduced capacity. Three quarters of the £89m (£96m) capital spending had been directed at cost reduction.

Automotive operating profit fell to £44.8m (£71.3m) on turnover of £777m (£734m). Both figures benefited from the JPI contribution, but the brunt of the redundancy costs were borne here.

Poor performances were achieved in France, Italy and Germany as well as the UK. Brighter areas included pistons in the US and bearings in the UK and France.

In engineering, industrial and construction, operating profit rose to £61.8m (£51.6m) on sales of £476m (£454m). The stronger areas, including AE Turbine Components, were related to aero-engines, indus-

trial bearings and oil and gas.

The geographic breakdown showed big profit falls in the UK (from £67.1m to £54.1m) and on the Continent (from £24.8m to £14.9m).

COMMENT

The benefits reaped from cutting the headcount and investing in new plant will need to be considerable to offset the deepening problems in some of T&N's markets. Car production in France was more than 20 per cent down at the turn of the year and the Italian market has also gone into reverse.

T&N is more exposed to Fiat, Renault and Peugeot than to the busier German makers. With industrial activities also seeing a marked slowdown at the year-end, the gloomy outlook for the current first half is relieved only partly by the prospect of a full six months from JPI. After the disappointment of the 1990 results, set against a 1989 figure depressed by a peak in the asbestos payments, forecasts were rapidly revised downwards for this year. Taking £68m pre-tax, the prospective p/e is about 15. If you assume anything less than a spectacular recovery next year, this looks expensive.

Unigate shares fall on profits warning

By Clay Harris, Consumer Industries Editor

UNIGATE, the food and transport group, warned yesterday that its pre-tax profits for the year which ends on March 31 were likely to emerge at about £75m, short of market forecasts.

Its shares closed 17p lower at 307p. The fall was cushioned by Unigate's assurance that it intended to maintain the final dividend at 9.6p for an unchanged total of 15.3p.

Unigate also announced the biggest management shake-up since Mr Ross Buckland, former head of Kellogg's UK and European operations, became chief executive in October.

Analysts had already expected pre-tax profits to slide to about £85m from the £105.5m reported for 1989-90.

But Unigate said UK non-food and poultry businesses were continuing to encounter difficult trading conditions.

The main reason was the need for Arlington and Wincanton Contract Hire, its motor vehicle businesses, to provide for future losses on the disposal of used vehicles.

Another negative factor is the steady decline in prices for frozen chickens.

Unigate announced the departure of Mr Andrew Dore, managing director of its UK food division.

He is the first main board director to leave since Mr Buckland's arrival, although the managing directors of Arlington and Giltspur, the exhibition subsidiary, had already gone.

Mr Dore joined the company in 1972 and became managing director of St Ivel in 1979. Companies for which he was responsible will now report directly to Mr Buckland.

The board was enlarged yesterday with the appointment of two new directors, Mr Chas Lawrence, managing director of Wincanton Distribution Services, and Mr Gordon Summerfield, his counterpart at Unigate Dairies.

Unigate also announced the expansion of its executive committee to include not only the five executive directors but also five key executives from operating companies.

Foreign investors move for power shares

By Juliet Sychrava

GOLDMAN SACHS again dominated buying in the shares of National Power and PowerGen yesterday, the second day of trading in the electricity generators' shares, market participants said.

Trade was brisk but quieter than yesterday, with turnover down from Tuesday's \$81m to a total of \$13m - 76m in National Power and 60m in PowerGen. Both shares traded between 130p and 140p for most of the day, with National Power closing at 139.5p and PowerGen at 138.5p.

Rumours that Goldman Sachs was buying National Power shares on behalf of a single stake-building client persisted yesterday, after over 25m shares changed hands in three large trades on Tuesday.

Nomura, which also bought large tranches in first day trading, was understood to have been acting on behalf of Japanese retail clients, around 10,000 of whom are expected to have registered for the shares.

Although no new large trades were concluded yesterday, several brokers remained convinced that Goldman Sachs was not simply buying for institutional clients.

Stock Exchange Council rules prevent US investors from buying new issues immediately after flotation. But some brokers believed Goldman could be buying for later sale to a US client.

National Power said yesterday it had had no formal or informal information about the buyer of its shares. A stakeholder could purchase at least 38m National Power shares before being obliged to inform the company and the Stock Exchange. Under Stock Exchange rules, any investor acquiring a stake of 3 per cent in a quoted company must declare it within three days.

A technical difficulty with Japanese securities law appears to have deterred Nomura from bidding as vigorously as some other regional lead-managers in a tender for underwriters which was held at the end of last week, Clare Pearson adds.

Some observers stressed yesterday that that provided an explanation of the keen Japanese buying which emerged after the shares started trading on the London market this week.

Under the so-called back-end tender, which took place on Thursday and Friday last week, underwriters were invited to submit bids for shares at levels above the 100p fixed partly-paid price. They had to buy stock at the prices they bid.

As a result of the tender, Nomura's share of the total offer fell from 8 per cent to 6.2 per cent.

Nomura's difficulty was that laws covering public offers in Japan require that all the stock should be sold at a common price. The generators' shares were distributed in Japan by this method between Thursday last week and Tuesday, when London dealings started.

So if Nomura had bought large amounts of shares for clients based in Japan in a tender it could only have sold them at the fixed price until the offer closed on Tuesday. Instead it appears to have waited until London dealings started.

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Safety features to encourage honesty

Clare Pearson on the bewilderment behind at the prices being paid

I'M SO depressed," said one of the Government's financial advisers yesterday, echoing a general feeling of despondency in the camp.

The reason for the gloom was the unexpected premiums at which the shares had started trading on Tuesday.

These threatened to put the Government to accusations of having underpriced the shares, reminding everyone of the way it was accused after the flotation of the 12 regional electricity companies last November.

Yet there was certainly sympathy for the Government's embarrassment elsewhere in the stock market yesterday. Indeed there was general bewilderment at the prices the mystery bidders were prepared to pay for the shares.

In my opinion you've got to be an idiot to buy them at this level," said one analyst who had not been connected with the flotation.

One of the Government's brokers stressed that British institutions had been selling stock as the price rose. This, he said, indicated the pricing in that it showed investors at least were not willing to hold the shares at inflated levels.

When the terms of the offer were announced on February 22, there was a widespread feeling that the Government had succeeded in extracting roughly the best price it could get without risking turning the offer into a flop.

The first measure, novel only to the UK institutions involved in the underwriting but used often in US issues, was a book-building process which took place prior to the issue price being set.

Here, institutions which wanted to participate in the underwriting were required to submit bids showing how much stock they were prepared to take at different price levels. After all the bids had been analysed, the fixed price was set.

There was an inducement for institutions to offer to take stock at higher prices because those bidding more aggressively were promised they would get more shares to underwrite. That is in contrast to the usual method in the UK where institutions simply get stock according to their normal position in the underwriting pecking order.

Taking part in the book-building process bought an institution a ticket to a second round of bidding, provided it was successful in obtaining a portion of the underwriting.

This second round was the "back-end tender" which took place at the end of last week. Here some of the shares excluded from the public offer, amounting to about 16 per cent of the total sale, were taken away from underwriters and



David Clementi: introduced unusual and complicated features into the underwriting

the best value for the taxpayer. With that end in view, the Kleinwort team, headed by Mr David Clementi, introduced unusual and complicated features into the way the shares were underwritten, with the aim of inducing institutional investors to be honest about the levels at which they were prepared to buy them.

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thrown back in a pot. In a free-for-all, underwriters both at home and overseas were invited to submit bids for these shares at any price they liked above the fixed 100p partly-paid level. They were required to pay the price they bid.

The upshot of this process was a 242m improvement in terms for the Government. That was after bids had come in at an average price of 121p. This then appeared to have set a lid on the levels at which the shares could open on the market.

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Ansbacher tumbles to £2.46m

By David Barchard

PRE-TAX PROFITS at Henry Ansbacher Holdings, the small city merchant bank, tumbled 76 per cent from £10.14m to £2.46m in the year to December 31. The dividend is cut from 15p to 1.5p.

Earnings per share fell to 3.5p. There was a retained surplus of £3.98m, down from £7.8m.

The balance sheet was strengthened by an extraordinary £5.67m from the early repayment of convertible loan stock. Last year there was a gain of £5.92m from the sale of former subsidiaries. Profit attributable to shareholders was £6.79m (£12.47m).

During the year, Pargesa, Ansbacher's Belgian holding company, placed its 62 per cent holding on the market. The move was abandoned after failure to find a suitable buyer, but costs of £179,000 were incurred.

Much of the decline came in the core merchant banking activities where profits plummeted from £9.02m to £68,000 after provision against a number of bad corporate debts.

However Henry Ansbacher Asset Trading, the Third World debt-trading subsidiary, had contributed strongly.

There was a reduced contribution from offshore banking and trust management.

COMMENT

Undk though it may be to say so, Ansbacher belongs to the financial services sector which soldier doggedly on in the absence of a buyer. Pargesa's decision to get out of the financial services sector may not directly reflect Ansbacher's recent performance, but it

makes it distinctly more difficult to chart its future. Ansbacher is caught in an unenviable situation at a time when overall market conditions are grim. Ansbacher's response of keeping its capital ratios strong, trimming costs and withdrawing from some areas of activity looks prudent, but is it enough? Its merchant bank lending book of £170m is backed by consolidated capital resources of £85.6m. Central costs were pruned by about 6 per cent last year. Economies of this sort look distinctly inadequate against the damage to the group's balance sheet done by a single hit in the UK market from the collapse of the Levitt Group. Given present market conditions it must be doubtful whether better news is in store for Ansbacher in 1991.

KENWOOD IS SPUN OFF IN £55M BUYOUT.

A year ago, the management of Kenwood, led by Timothy Parry, bought the company's food mixer manufacturing unit from Thorn EMI. The buy-out was arranged and led by Candoover the bank finance was provided by the National Westminster Bank.

Doug Fairservice of Candoover describes the deal as "typical of a number of recent buy-outs where the parent keeps an equity stake. There were looking to rationalise their business focus on core global products whereas the Kenwood food preparation business was a specialist niche business."

After two years under Timothy Parry, the Kenwood business had been revitalised, increasing market share with more than 20 new product launches, on the back of a £5m investment programme in plant and product development.

Despite the recession and the company's consumer orientated product range, all the signs were right and the company has, in fact, performed extremely well since the buy-out.

Candoover have organised over 52 buy-outs, buy-ins and debt-financing worldwide ranging from £1 million to £275 million as well as providing development capital for smaller companies.

Despite the recession, buy-outs in the consumer products sector are far from dead.



Who's next?

Candoover manage some £400m funds for equity investment. The current economic climate is creating exciting opportunities for buy-outs and buy-ins. We are continually discussing potential opportunities with companies, managers and advisors. If you think you could be next, contact Stephen Curran or Doug Fairservice on 071 489 9848.

CANDOOVER

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Modest advance at Simon Eng

By Clare Pearson

IN ITS first set of results to separate environmental activities from its engineering and industrial services, Simon Engineering yesterday reported 1990 pre-tax profits of £39.8m.

The 3 per cent rise from £38.6m was achieved on turnover down 18 per cent at £454.7m (£567.3m).

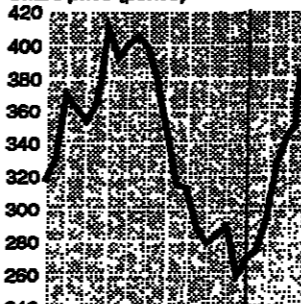
The environmental division achieved pre-tax profits of £4.9m (£3m) on sales of £72.5m (£61.3m). Its activities comprise businesses involved in industrial effluent abatement and treatment, sewage and industrial sludge management, ground water recovery and clean air materials handling.

Other parts of the group are also involved in green-type work, such as the recycling of waste paper and storage of specialised chemicals.

The mix of businesses made Simon less exposed to problems caused by the recession

Simon Engineering

Share price (pence)



and the Gulf than many other companies. For instance, some of the group's industrial services companies benefited from increased oil exploration and storage activities.

However, Mr Roy Roberts, chairman, said that from September onwards some parts of

the access and process engineering divisions were affected by recession in the construction and capital goods markets.

The final dividend is 10.7p making a total of 15.7p (15.5p) for the year.

On the current year, Mr Roberts warned: "At this stage, it appears unlikely that 1991 will show significant improvements over 1990." But he pointed out that Simon was strongly placed, with gearing reduced to 13 per cent. The company remained on the look-out for acquisitions.

After a £46m rights issue last year, of which £35m has been spent on acquisitions, earnings fell 9 per cent to 33.4p (36.8p).

By division, access put in pre-tax profits of £13m (£13.5m) on sales of £152.2m (£154m). Industrial services £13.4m (£9.7m) on sales of £79.8m (£63m). Process engineering fell to £9.6m (£12m) on turnover of £229.5m (£266.5m).

Administrators in at Toothill

By Andrew Bolger

RW TOOTHILL, a furniture manufacturer based in County Durham, has gone into administrative receivership, blaming the downturn in high street retail activity.

Toothill's shares were suspended yesterday at 500p, giving the company a market value of £3.5m. A controlling stake in Toothill was bought in 1989 by Adamas, the Swedish financial services, engineering products and furniture group, which itself went into administration a few months ago.

Toothill, which employs over 200 people at Newton Aycliffe, changed its emphasis just before the recession started from the high-quality, low-volume market to that of the high-volume market.

Mr Ian Davidson, the recently appointed joint managing director, said: "With hindsight, this proved to be very bad timing. The company had a good core business in the low-volume, high-quality market, but the high-volume work

taken on by the company during 1990 was at poor margins and we have been unable to change direction quickly enough to match the market."

Mr Geoff Adams of accountants KPMG Peat Marwick McLintock has been appointed administrative receiver. He said last night: "Having been

appointed within the last hour we have had little chance to determine the way ahead but the directors have indicated that they believe there is a good core business to sell. Regrettably I have had to tell the workforce that I cannot rule out redundancies in view of the company's order book position."

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for last year	Total for year
Ansbacher (H)fin	1.5	May 3	2.5	1.5	2.5
BTRfin	8.75	May 31	8.3	16.75	15
Enterprise Oilfin	9	May 20	7.75	15	13
Gent (SR)int	1.25	May 13	1.25	-	3
Hillsideint	97	July 1	5.4	-	7.2
Lloyds Chemicalsint	1.77	June 12	0.5	-	2.78
Narborough Plantint	0.52	June 22	0.78	-	-
Simon Engint	10.7	July 1	11	15.7	15
Spaxendfin	3.75	July 19	3.5	5.5	5
T&Nfin	7.25	July 4	7.25	10.85	10.75
Tryfin	4	May 31	4	6	6

Dividends shown pence per share net except where otherwise stated. Rights and/or acquisition issues. \$USM stock. *Carries scrip option.

*Gross.

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UK COMPANY NEWS

Enterprise Oil at £210m on back of record output

By Michio Nakamoto

RECORD production coupled with higher oil prices enabled Enterprise Oil, the UK's largest independent oil company, to increase pre-tax profit by 41 per cent, from £148.8m to £210.3m in 1990. Turnover rose to £497.1m (£337.1m).

Mr William Bell, chairman, said he was happy with the significant progress which "can be regarded as a year of solid achievement."

The results, however, were dismissed by the market as it drew a bearish scenario for the oil sector in the wake of Tuesday's Opec meeting, which increased the likelihood of lower oil prices.

The shares dropped 18p to 581p.

The increase in turnover came as production rose to a record average of 117,600 barrels of oil equivalent per day (99,310 b/d). This amounted to about 43m barrels of oil equivalent during the year, a rise of 18.5 per cent.

Four new fields in the North Sea which came on stream in 1990 - Arbroath, Amethyst East and Ravenspurn North in the UK and Rod in Norway - contributed an average 15,000 b/d to the higher production level.

The company saw its highest quarterly production to date in the fourth quarter of 1990, with an average of 134,700 b/d.

The strength of oil prices enabled it to realise a higher average sterling price in spite of the weakness of the dollar.

The price rose by 17 per cent to £12.91 per barrel (£11.07).

Earnings per share rose to 34p (28p) and a final dividend of 5p lifts the total by 2p to 39p.

In spite of higher production last year, net proved and probable reserves rose to 944.4m barrels of oil equivalent (922.5m bbl).

Exploration activity continued at a high level, with 33 exploration wells and four appraisal wells completed during the year, and a further nine wells drilled at the year-end.

Exploration expenditure rose to £91.1m (£58.9m) while capital expenditure on producing fields, developments and exploration activity increased 54 per cent to £380.5m.

The company still had a net cash position of £39.4m at the year-end. Net interest income rose to £86.5m (£53.7m) and



William Bell: 'year of significant achievement'

asset disposals contributed £14.5m. Mr John Walmsley, managing director of finance, said the company's portfolio management policy performed cash over peripheral assets.

Production was expected to increase to over 250,000 barrels of oil equivalent per day in the mid-1990s as a result of the current high level of development work. However, while performance in the first few months of 1991 was good, continued oil price volatility and a weak dollar could lead to flat results for the year. "It may well be time to take on some high quality assets on the books," Mr Walmsley said.

See Lex

able from reduced earnings of 1.1p (1.51p) per 10p share.

Spandex at £4.3m on rising trend

Spandex, a distributor of sign making equipment, turned in pre-tax profits of £4.3m for 1990.

That was compared with £4.81m, but showed growth of 21 per cent after stripping out £1.7m net profit on property disposal.

Turnover expanded from £37.42m to £41.77m. Record sales of consumable materials offset a reduction in sign making computer turnover.

A decline in hardware sales related largely to depressed conditions in the UK. However, it occurred mainly in the first half and was countered by the launch of the Graphix Advantage range.

Mr Charles Dobson, chairman, was confident that growth would continue in the established operations, and that they would be further supplemented by the additions covering Italy, Switzerland and Austria.

Benefits from those markets would more than compensate

Minorco takes 17% stake in Ivernia West

By Kenneth Gooding, Mining Correspondent

MINORCO, the overseas investment arm of the Anglo American Corporation of South Africa, has acquired 17 per cent of Ivernia West, an Irish exploration company which has a half-share in a highly prospective lead-zinc project near the Tipperary and Kilkenny border.

Ivernia already has a substantial shareholder in Outokumpu, the state-owned Finnish mining company, whose 29.9 per cent stake was reduced to 24 per cent by the placing which brought in Minorco.

James Capel, Ivernia's adviser, arranged to place 6.9m new shares at 55p each to raise £3.79m (£3.33m).

The placing price, fixed on Friday, represented a 3p premium on the market price that day.

Last night Ivernia shares closed at 55p, up 5p.

Mr David Hough, Ivernia's managing director, said the company was offered the opportunity to cover its financial requirements for the next 12 to 18 months.

Outokumpu could not have bought more shares without a takeover bid being triggered, so Ivernia looked for a complementary shareholder.

After talking to several European and North American groups and consulting Outokumpu, Ivernia chose Minorco.

Minorco said that it had taken its £3.5m stake in Ivernia through its Linden Investments exploration subsidiary. It was specially attracted by Ivernia's base metals project at Lisheen, County Tipperary.

Acquisitive strength behind 61% jump at Lloyds Chemists

By Andrew Bolger

LLOYDS CHEMISTS, the UK's second largest retail chemist and drugstore chain, illustrated its acquisitive strength in a defensive sector by reporting a 61 per cent jump to £2.2m in pre-tax profits for the six months to December 31. Sales rose by 26 per cent to £112.8m.

Lloyds, which last year gained 74 outlets by buying Cross & Herbert, said sales had increased by 5 per cent on an organic basis. In the second half so far, sales were up 34 per cent overall, and 13 per cent on a like-for-like basis. The group now has 455 chemist stores and 174 drugstores.

Mr Allen Lloyd, chairman and chief executive, said increased profit margins stemmed from higher "own-label" sales, better buying terms and benefits from earlier acquisitions.

Gross margins increased from 30.8 to 32.4 per cent and operating margins rose from 7 to 8.5 per cent.

Gearing was 76 per cent at December 31, with interest cover of 5.7 times. Depending on whether or not Lloyds completes a sale and leaseback of its new warehouse by June, gearing at the end of the financial year could vary between 50 to 20 per cent.

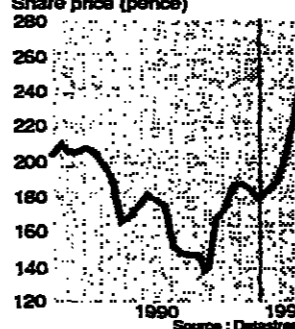
Mr Lloyd said the development of own-label products had been a key factor in achieving a higher gross margin. There were currently 1,169 own-label products, with a further 273 due in the near future. Sales of own-label products now represented 25 per cent of chemist store retail sales and 30 per cent of drugstore sales.

Earnings per share increased by 44 per cent to 9.5p. The interim dividend goes up 50 per cent to 1.17p.

COMPANY Companies which can raise profits by 61 per cent are scarce in any sector these days, and rate index in UK retailing. Part of the rise is accounted for by continuing acquisitions, but the 44 per cent gain in earnings suggests that Lloyds can still administer successful treatment to the outlets it buys. Increased profit margins suggest that the drugstore price war may be abating and Lloyds expects further returns from investment in epos technology. Forecast full-year profits of £18.5m put the shares on a prospective yield of 13.4, which seems undemanding. The share price closed up 16p at 276p. There is some concern that Lloyds will be tempted to throw paper at the market, but so far this fast-expanding group still seems to have a winning formula.

Lloyds Chemists

Share price (pence)



Source: Datastream

Try pulls in after dive to £1.8m

TRY GROUP is to retrench into its core activities of contracting and housebuilding after reporting a severe setback in annual profits.

The outcome for 1990 - £1.8m against £4.37m - was struck after an exceptional charge of £1.65m relating to the decision to write down residential land values.

Mr Hugh Try, chairman, described the period as "a year of mixed fortunes". Reflecting current conditions and "future prospects of the property development market", the group is to close its property development division, resulting in an extraordinary debit of £4.54m.

Try's housebuilding side had a "disappointing" year, the chairman stated. Sales amounted to 171 units against 165 in 1989, but margins were "most unsatisfactory". Losses incurred here increased to £2.21m (£489,000) on turnover of £15.4m (£16.51m).

Narborough reduced to £146,000

Reduced pre-tax profits of £146,000, compared with £201,000, were announced by Narborough Plantations, the Malaysia-based forestry group, for the six months to December 31, 1990.

An increase from £33,000 to £54,000 in estate operating profit was attributed to higher rubber prices and oil palm production as new areas came into maturity.

The interim dividend is unchanged at 0.5p gross, payable from reduced earnings of 1.1p (1.51p) per 10p share.

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Benefits from those markets would more than compensate

figures from overseas.

Turnover in the six months to December 31 rose to £72.7m (£58.87m) and operating profit to £2.87m (£2.23m). Sales in the UK were "very strong across a broad front" but towards the end of the period margins were sacrificed to achieve turnover.

Trading in Australia and North America was difficult and losses were incurred. Episode, the retail division, opened two more stores and four more will be in operation by Easter.

Earnings per share fell to 1.9p (2.3p) but the interim dividend is again 1.25p.

French growth for Rentokil

Rentokil, the environmental and property services group, is to buy Michel Gaillard, a French tropical plant rental company, for up to FF772m (£72m) cash.

Gaillard, based in Paris, achieved pre-tax profits of FF4.1m on turnover of FF768m in the year to August 31, 1990. Net assets at that date amounted to FF4.5m.

The acquisition price is based on Gaillard's pre-tax

profits for the two years to August 31, 1990, with an initial payment of FF40m.

Zone work just keeps Micklegate in black

Micklegate Group, the industrial and commercial property developer which came to the UK in December 1989, suffered a slump in taxable profits in the six months to October 31.

Turnover was more than halved to £2.22m (£4.66m) and pre-tax profits declined from £1.31m previously to £22,000.

Again there is no interim dividend.

Mr Trevor Barber, chairman, said that although activity in the commercial property sector had declined to an unprecedented low, the company's policy of enterprise zone developments had enabled it to cover expenses and report a small profit.

Sales of residential properties remained steady, he said, but demand for the group's architectural work had declined.

Earnings fell to 0.07p (5.24p) per share.

NOTICE TO HOLDERS OF
Bearer Warrants to subscribe for shares of the common stock (the "Shares") of
KOKUSAI Securities Co., Ltd.
issued in conjunction with

U.S. \$100,000,000 4 1/2% per cent. Bonds due 1993 (the "88 Warrants") and U.S. \$150,000,000 3 1/2% per cent. Bonds due 1993 (the "89 Warrants")

Notice is hereby given, pursuant to Clauses 3 and 4 of the Instrument relating to the 88 Warrants dated 11th October, 1989, and pursuant to Clauses 3 and 4 of the Instrument relating to the 89 Warrants dated 11th October, 1989.

On 13th March, 1991, the Board of Directors of KOKUSAI Securities Co., Ltd. resolved to make a free distribution of Shares to its shareholders of record as of 31st March, 1991, Japan time, at the rate of 0.03 new Shares for each Share held.

Accordingly, the subscription price in respect of the respective Warrants shall be adjusted, effective as of 1st April, 1991, Japan time. The subscription price currently in effect for the 88 Warrants is Yen 2,478.50 per Share and the subscription price adjusted will be Yen 2,404.40 per Share. The subscription price currently in effect for the 89 Warrants is Yen 2,388.50 per Share and the subscription price adjusted will be Yen 2,293.90 per Share.

KOKUSAI Securities Co., Ltd.
By: The Bank of Tokyo Trust Company as Disbursement Agent

Dated: March 14, 1991

NOTICE TO HOLDERS OF
ADVANTEST CORPORATION
(formerly Takada Riken Company, Ltd.)
U.S. \$40,000,000 3 1/2% per cent. Convertible Bonds due 2000

Pursuant to Clause 6(B) of the Trust Indenture dated 18th October, 1984, under which the above Bonds were issued, notice is hereby given as follows:

1. On 27th February, 1991, the Board of Directors of the Company resolved to make a free distribution of shares of its Common Stock to shareholders of record at the close of business on 31st March, 1991, Japan time, at the rate of 0.10 new share for each share held.

2. Accordingly, the Conversion Price of the Bonds will be adjusted effective as of 1st April, 1991. The Conversion Price in effect prior to such adjustment is Yen 6,942.30 per share of Common Stock. The adjusted Conversion Price will be Yen 6,311.20 per share of Common Stock.

ADVANTEST CORPORATION
(formerly Takada Riken Company, Ltd.)
By: The Bank of Tokyo Trust Company as Trustee

Dated: March 14, 1991

Australia and New Zealand Banking Group Limited
U.S. \$200,000,000
Subordinated Floating Rate Notes due 1998

For the six months 13th March, 1991 to 13th September, 1991 the Notes will carry an interest rate of 7.125% per annum with an amount of interest of U.S. \$3,641.67 per U.S. \$100,000 denomination, payable on 13th September, 1991.

Listed on the Luxembourg Stock Exchange.

Bankers Trust Company, London Agent Bank

CNT
Caisse Nationale des Telecommunications
FF 2,000,000,000
Floating Rate Bonds due 1997

Notice is hereby given that for the Interest Period 13th March, 1991 to 13th June, 1991 the Bonds will carry a Rate of Interest of 9.375 per cent. per annum with a Coupon amount of FF 239.58 per FF 10,000 Bond and FF 2,395.83 per FF 100,000 Bond. The relevant interest Payment Date will be 13th June, 1991.

Bankers Trust Company, London Agent Bank

Bankers Trust New York Corporation
U.S. \$300,000,000
Floating Rate Subordinated Notes due 2000

For the three months 13th March, 1991 to 13th June, 1991 the Notes will carry an interest rate of 6.625% per annum and interest payable on the relevant interest payment date 13th June, 1991 will be U.S. \$169.31 per U.S. \$100,000 Note and U.S. \$4,232.64 per U.S. \$250,000 Note.

Bankers Trust Company, London Agent Bank

The Bear Stearns Companies Inc
(A corporation organized under the laws of the State of Delaware, USA)
U.S. \$200,000,000
Floating Rate Notes due 1994

For the three months period 13th March, 1991 to 13th June, 1991 the Notes will carry an interest rate of 6 3/4% per annum with an interest of U.S. \$172.50 per U.S. \$100,000 Note payable on 13th June, 1991.

Bankers Trust Company, London Agent Bank

KOREA FIRST BANK
(Incorporated with limited liability in the Republic of Korea)
U.S. \$50,000,000
Floating Rate Notes Due 1998

In accordance with the provisions of the Floating Rate Note, notice is hereby given as follows:

Interest Period : March 13, 1991 to September 13, 1991 (184 days)

Rate of Interest : 6 3/4% per annum

Coupon Amount : US\$3,513.89 per denomination (US\$100,000.00)

Agent
LTCB Asia Limited

NOTICE TO HOLDERS OF
MITSUBISHI KASEI CORPORATION
U.S. \$200,000,000
1 per cent. Bonds due 1992 with Warrants to subscribe for shares of Common Stock (the "1992 Bonds")
U.S. \$200,000,000
4 per cent. Bonds due 1993 with Warrants to subscribe for shares of Common Stock (the "1993 Bonds")

Pursuant to Clause 4(A) of the Instruments dated June 30, 1987 for the 1992 Bonds and July 6, 1988 for the 1993 Bonds, notice is hereby given as follows:

1. On December 19, 1990 the Board of Directors of the Company resolved to make a free distribution of shares of its Common Stock to shareholders of record as of March 31, 1991 in Japan at the rate of 0.10 new share for each share held.

2. Accordingly, the Subscription Price of the Warrants will be adjusted effective as of April 1, 1991. The Subscription Price in effect before such adjustment was Yen 1,154.50 per share of Common Stock for the 1992 Bonds and Yen 1,255.60 per share of Common Stock for the 1993 Bonds, and the adjusted Subscription Price are Yen 1,086.30 per share of Common Stock for the 1992 Bonds and Yen 1,141.50 per share of Common Stock for the 1993 Bonds.

MITSUBISHI KASEI CORPORATION
By: The Bank of Tokyo Trust Company as Trustee and Disbursement Agent

Dated: March 14, 1991

WORLD MARKETS IN REAL TIME!
\$310 per month
(+VAT and Exchange Fees)
CALL SATQUOTE : 071-233 1100

DFL 25.000.000,-
Floating Rate Serial Notes III due 1991

FRIESCH-GRONINGSCH HYPOTHEEKBANK N.V.
(Incorporated with limited liability in the Netherlands)

In accordance with the provisions of the Notes, notice is hereby given that the serial III notes due 1991 will be redeemed at their principal amount on March 18th, 1991.

The interest payable on March 18th, 1991 against surrender of notes (payable together with the principal) will be Dfl. 451.84.

Agent Bank
CREDIT LYONNAIS BANK NEDERLAND

LEGAL NOTICES
THE KERR PATTERSON CO LIMITED IN RECEIVERSHIP

NOTICE IS HEREBY GIVEN that a Meeting of Creditors of the above Company, summoned under Section 493(2) of the Insolvency Act 1986, will be held at The Four Seasons Hotel, Scotland Lane, Dunelm, North Lincolnshire L20 3DP, at 10.45 am on Wednesday 27 March 1991, for the purpose of receiving a report by the Joint Administrative Receivers.

A person is entitled to vote only if (a) he has given to the Joint Administrative Receivers, not later than 12.00 hours on the business day prior to the meeting, details in writing of the debt that he claims to be due to him from the company, and the claim he has made has been duly admitted under the provisions of Rule 3.11 of the Insolvency Act 1986, and (b) there has been lodged with the Joint Administrative Receivers at the offices of KPMG Peat Marwick McLintock, 1 The Embankment, Neville Street, Leeds LS1 4DT any proof which the creditor intends to be used on his behalf.

NOTICE IS ALSO GIVEN that, creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting.

"Unsecured creditors of the company may obtain a copy of the Administrative Receivers' statutory report, free of charge, by writing to the above address."

Dated this 11th day of March 1991

M A Shaw
Joint Administrative Receiver

EAST RAND GOLD AND URANIUM COMPANY LIMITED
(Incorporated in the Republic of South Africa) (Registration No. 74/2001/00)

General meeting of members - Closing of Registers

Notice is hereby given that, to determine which members are entitled to attend and vote at the general meeting of members to be held on April 5, 1991, the transfer registers and registers of members will be closed from Tuesday, April 2 to Friday, April 5, 1991, both days inclusive.

By order of the board
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per A J S Sebba, Divisional Secretary
Registered Office
44 Main Street
Johannesburg 2001
(PO Box 61587 Marshalltown 2107)
Johannesburg
March 14 1991

COMMERCIAL PROPERTY
appears every Friday in the Financial Times.
For advertising information, please call
Edward Batt: 071 873 4196
Peter Shield: 071 873 3284

NOTICE TO THE WARRANTHOLDERS OF SHISEIDO COMPANY, LIMITED (THE "COMPANY")

BEARER WARRANTS TO SUBSCRIBE FOR SHARES OF COMMON STOCK OF THE COMPANY ISSUED WITH U.S. \$120,000,000 3 1/2% PER CENT. BONDS DUE 1991 U.S. \$200,000,000 4 1/2% PER CENT. BONDS DUE 1992

Pursuant to Clause 4 of the Instrument dated 18th December, 1986 and the Instrument dated 7th September, 1988 under which the above two warrants were issued, notice is hereby given as follows:

At its meeting held on 27th February, 1991, the Board of Directors of the Company resolved a free distribution of shares of its common stock to the shareholders of record as of 31st March, 1991 (substantially at 15.00 hours on 29th March, 1991 Japan time (the record date), at the rate of 0.10 of a share of its common stock for each share of common stock held by them.

As a result, the following adjustment to the Subscription Prices of the two warrants will be made:

1. Bearer Warrants issued with U.S. \$120,000,000 3 1/2% per cent. Bonds due 1991
Subscription Price before adjustment: Yen 2,050.00 per share
Subscription Price after adjustment: Yen 1,868.60 per share

2. Bearer warrants issued with U.S. \$200,000,000 4 1/2% per cent. Bonds due 1992
Subscription Price before adjustment: Yen 1,753.00 per share
Subscription Price after adjustment: Yen 1,593.60 per share

3. Effective date of the adjustment: 1st April, 1991 (Japan time)

SHISEIDO COMPANY, LIMITED
6-5, Ginza 7-chome, Chuo-ku, Tokyo, Japan

Dated: 14th March, 1991

PUBLIC WORKS LOAN BOARD RATES

Years	Effective March 1991		Effective March 1991	
	By SPY	By 11/1	By SPY	By 11/1
Over 1 up to 2	11 1/2	11 1/2	12 1/2	12 1/2
Over 2 up to 3	11 1/2	11 1/2	12 1/2	12 1/2
Over 3 up to 4	10 1/2	10 1/2	11 1/2	11 1/2
Over 4 up to 5	10 1/2	10 1/2	11 1/2	11 1/2
Over 5 up to 6	10 1/2	10 1/2	11 1/2	11 1/2
Over 6 up to 7	10 1/2	10 1/2	11 1/2	11 1/2
Over 7 up to 8	10 1/2	10 1/2	11 1/2	11 1/2
Over 8 up to 9	10 1/2	10 1/2	11 1/2	11 1/2
Over 9 up to 10	10 1/2	10 1/2	11 1/2	11 1/2
Over 10 up to 15	11 1/2	11 1/2	11 1/2	11 1/2
Over 15 up to 25	11 1/2	11 1/2	11 1/2	11 1/2
Over 25	11 1/2	11 1/2	11 1/2	11 1/2

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. *Equal instalments of principal. *† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). * With half-yearly payments of interest only.

COMMODITIES AND AGRICULTURE

Power failure to slash output at aluminium plant

By Victoria Griffith in Sao Paulo and Kenneth Gooding

ALUMINIO Brasileiro's smelter, which has the capacity to produce about 2 per cent of the western world's primary aluminium, has been badly disrupted by a 12-hour power cut. Only 230 of the smelter's 864 furnaces or "pots" were working last night, representing a near-75 per cent cut in normal output. An official said yesterday it could take "weeks or even months" to restore full production.

Albras last year raised annual capacity at the smelter, near the Amazonian port of Belém, from 160,000 tonnes to 330,000 tonnes. About half the smelter's primary aluminium output goes to 32 fabricators in Japan. It is 49 per cent owned by the Japanese with CVRD (Companhia Vale do Rio Doce), the state-owned Brazilian group, controlling the rest.

The market took the Albras news in its stride. On the London Metal Exchange aluminium rose by only US\$5 a tonne to \$1,524 while three-month metal also advanced by \$3 to \$1,558 a tonne.

Mr Angus MacMillan, head of research at Billiton-Enthoven Metals, part of the

Royal Dutch/Shell group, voiced a widely-held opinion when he suggested that before the Albras accident the aluminium market was heading for the kind of surplus this year that would require some voluntary producer cut-backs. The loss of perhaps 100,000 tonnes this year from the Brazilian smelter would not do much to boost prices.

However, Mr Robin Bhar, analyst at Barr Kibitz & Allen, the Banque Indosuez subsidiary, thought the loss of the Albras metal might swing the market back into a supply deficit in the second quarter of this year.

"If the US recession lasts for the rest of 1991 the market might get by," he added. Mr Fernando Jares, an Albras official, said Albras was using special chemicals to dissolve the aluminium where it had hardened in some pots but this process could take several months to complete.

Mr Jares said his group was concerned about future blackouts because there is only one power line supplying Albras. But relocation was impossible as the group has spent more than US\$1bn on the smelter.



MR PAUL DAVIES (above), a UK coin dealer, yesterday threatened to sue Japan's Ministry of Finance and its National Police Agency unless the police returned to him 3,200 gold coins worth more than US\$1m confiscated 13 months ago. The police said they had uncovered Japan's largest known counterfeiting case. They alleged the coins were part of a consignment of 107,000 suspected of being counterfeit and imported to Japan from the Middle East through European intermediaries.

Speaking in Tokyo Mr Davies insisted his coins were genuine, minted in 1986 and 1987 to commemorate the 60th anniversary of the accession to the throne of Emperor Hirohito (known as Showa since his death in 1989). He said the police should either acknowledge the coins were genuine, return them and compensate him for the damage to his business or the Japanese Mint Bureau should produce irrefutable proof that the coins were counterfeit. "The Ministry of Finance must then be held responsible for the gross negligence of allowing this situation to occur in the first place," he added. Mr Davies said that despite months of investigation at home and abroad, the Japanese police had uncovered no evidence that the coins were fake.

A police official said that the case was still under investigation and refused to comment, as did the Ministry of Finance.

Chilean copper giant inaugurated today

By Leslie Crawford in Santiago

LA ESCONDIDA, the world's third biggest copper mine, is officially inaugurated today but little if any of its production will reach the spot markets this year.

To finance the \$630m project in the Atacama desert, the biggest single foreign investment ever undertaken in Chile - La Escondida sold 77 per cent of its output in advance in 12-year contracts to smelters in Japan, Germany and Finland. Mr Bob Hickman, La Escondida's president, says the remaining production has already been tied up in long-term contracts in Spain, South Korea and the Philippines.

La Escondida came on stream in December, six months ahead of schedule, and

has already exported 110,000 tonnes of concentrates. Mr Hickman expects that the mine will produce 600,000 tonnes of concentrates in its first year of operation, the equivalent of 260,000 tonnes of fine copper. By 1992, it will be producing its full design capacity of 760,000 tonnes of concentrates a year.

La Escondida will help Chile maintain its position as the world's leading copper producer at a time when Codelco, the state-owned copper corporation, is facing difficulties with declining output and falling ore grades. The leftists, owned by BHP of Australia, RTZ of the UK and a Japanese consortium led by Mitsubishi, will increase Chilean copper exports by 20 per cent.

La Escondida, discovered 10 years ago, is the biggest and richest copper deposit in the world. Its geological reserves of 1.5bn tonnes are expected to keep the mine productive well into the 22nd century. During the first ten years of operation, the ore grade will average 2.8 per cent copper - twice the concentration found at Chuquibambilla (the world's biggest open-pit mine, also in Chile) and almost six times greater than the ores extracted from US and Canadian mines.

La Escondida's owners hope to expand operations by 50 per cent over the next decade. But he said there were no specific expansion plans at present. This would depend on the evolution of copper prices and world demand.

Mr Hickman does not believe that La Escondida's start-up will depress prices. Metal traders have already discounted the mine's contribution of about 4 per cent of world production. In addition, the new output will help compensate for supply disruptions over the past two years.

World supply fell by 350,000 tonnes last year as a result of the closure of the Bougainville mine in Papua New Guinea and technical problems in Peru, Chile, Zambia and Zaire. La Escondida will produce the red metal at 40 cents a lb, well below Codelco's costs and those of competitors in North America.

Iron ore deals greeted with relief

Bob Jones on settlements with Japanese and European steelmakers

FOR THE second year in succession international iron ore suppliers have accepted annual price increases of roughly half what they initially demanded. Consuming steelworks in Japan and Europe have managed to limit the miners' demands to a rise of just below 8 per cent for the most important grades, fines, half last year's 16 per cent price rise in profit loss. As a result fines prices have risen more than 40 per cent in the last three years.

For some suppliers this spells continuing good times. Hamersley Iron, the largest Australian miner with annual exports of more than 40m tonnes, has just announced a 16 per cent rise in profit loss to a record \$282m (£110m). Robe River took over from BHP-Utah as Australia's second largest exporter with sales exceeding 25m tonnes last year.

As for BHP-Utah, it took a majority stake in the US's Colorado state-owned mine in 1990 and is all set to try to reclaim second spot from Robe River next year when it opens the 6m tonnes-a-year Yandicoogina deposit. But the picture is less optimistic for other suppliers. Because consumers try to limit their use of the more expensive lump and pellet grades when faced with falls in finished steel demand, suppliers of these ore types have had to accept marginal drops in the premiums they fetch over fines.

For suppliers into Europe, where steel demand has been weak since the start of the year, this factor has hit pellet suppliers badly. Iron Ore of Canada (IOC) through its parent marketing company, M.A. Hanna, was forced last month to accept a drop in the European pellet premium from 20.9 cents a metric tonne unit (10 kg) to 15.4 cents. Quebec Cartier Mining, the other major Canadian supplier, is under pressure to follow suit. Were it not for the Liberator civil war, these important pellet producers might have suffered a dramatic decline in their sales. Luckily they managed to pick up the customers of Liberia's Bong Mining, per cent and lump 5.95 per cent - the lump premium was reduced slightly. Rival producers commented at the time that at least the deal gave the suppliers an actual increase - the Japanese had been demanding that 1990 prices be rolled over.

Such was the relief that there was not even any overt irritation that the traditional benchmark setter, CVRD (Companhia Vale do Rio Doce), had for the second time in three years lost their leading role. Hamersley is highly profitable and so can afford to give slightly more away to the buyers than other suppliers - so the explanation given by the Japanese is that the deal gave yet more influence to the Japanese steelmakers. It seems to be accepted nowadays that the biggest international markets, Europe and Japan, are going to get together to arrange prices between themselves. Japan's main integrated steelworks have for many years pooled their buying under the leadership of Nippon Steel.

In Europe, secret price talks are held among the big consumers before the official negotiations kick off. Oddly it is the European consumers, rather than the miners, who resent so-called "advice" from the Japanese as to how high they should bid for their ore.

The Hamersley deal also featured some of the most open disagreement among the Japanese mills themselves to surface for many years. The 7.53

per cent fines increase was agreed during informal talks with Hamersley by Nippon Steel. But fellow steelmakers NKK and Kawasaki objected that they had not been properly consulted and it took five days for the deal formally to be ratified.

The volume of ore sales from each supplier is partly protected against the effects of recession by long-term contracts, so the miners are usually able to claim that they have managed to secure tonnage similar to the previous year when there is a recession.

But examples do exist of drops in volume this coming year. LKAB no longer sells to Japan, having agreed not to renew its contract in 1990. Similarly Hamersley agreed to a drop in shipments to Germany this year - buyers can exercise options to take less ore, usually a maximum change of 10 per cent each year.

Hamersley's shipments declined by 40,000 tonnes last year to 4.9m in 1989. Because it sells on a cost and freight (c & f) basis, Hamersley's sales prices into Europe actually increased by only slightly more than 1 per cent. Miners will still claim their average prices between themselves are insufficient to allow the main integrated steelworks required to guarantee ore supplies into the 21st century. Hamersley and Minerales, Brastleir, Reunidas (Brazil's second-biggest exporter), are planning to replace exhausted deposits in the next few years - as is BHP-Utah's Brazilian subsidiary Samarco, but the absence of significant new greenfield projects will have to be faced some time this decade. The one new mine that is especially interesting to European consumers is being held up by the problems in Liberia.

Bob Jones is deputy editor of Metal Bulletin.

Canadians want to boost US gas sales

By Bernard Simon in Toronto

FOUR ALBERTA natural gas suppliers are seeking permission for a 20 per cent increase in Canadian exports to California to meet growing demand for gas as a power station fuel.

The four companies - Alberta Energy Company, Esso Resources, Shell Canada and Western Gas Marketing - have submitted export applications totalling 204m cubic feet a day to the National Energy Board in Ottawa. The gas, adding up to 280m cu ft over 15 years, will be supplied to Southern California Edison for

existing power stations in the Los Angeles area, which at present either operate below capacity or use oil as their heat source.

Mr Denis Cornelson, vice-president for oil and gas marketing at Alberta Energy, said that prices will be based on other gas supplies to the Los Angeles area. The gas will be shipped through a planned pipeline (550m) expansion of the Pacific Gas Transmission pipeline network that links western Canada and California.

The Southern Edison contracts will account for just over a fifth of the extra capacity of 900m cu ft a day. San Diego Gas & Electric plans to buy 100m cu ft a day. Customers in the north-west US are expected to take about 150m cu ft a day, with the rest going to other California utilities.

Construction of the PGT pipeline has been approved by US regulatory authorities subject to an "open season" to solicit more customers, and to an environmental assessment.

Shipments under the Southern Edison contract are due to start by November 1993.

US power utilities have become major outlets for Canadian natural gas as they come under pressure to seek clean-burning and secure sources of fuel. The Canadians' main advantage over their US rivals is their willingness to offer long-term contracts. Cross-border pipeline projects worth several billion dollars are now under construction or on the drawing boards to meet the increased demand.

Scandinavians warn of Soviet energy supply cuts

By Hilary Barnes in Copenhagen

DEVELOPMENTS IN the Soviet Union may be of greater importance for the future of oil and gas prices than events in the Middle East, according to the chief executives of the Norwegian and Danish state oil companies, Statoil and Dansk Olie og Naturgas (DONG).

Without assistance from western technology, Soviet oil and gas production will fall significantly over the next two

decades, predicted Statoil's Mr Harald Norvik at a Danish-Norwegian conference in Copenhagen this week.

He suggested that Soviet oil production could fall from more than 12m barrels a day at present to about 9m b/d by 2010, with the Soviet Union ceasing to be an oil-exporting nation. DONG's Mr Holger Lavesen said that the Soviet Union could find itself in a vicious

circle in which falling production and sales meant in production and the transport system, both of which were already in a run-down condition.

"The situation in the Soviet Union can prove to be more important for oil prices than developments in the Middle East," said Mr Lavesen, and he added that there was a possibility that civil disturbances or

civil war would lead to sudden breaks in the supply of oil and gas to Europe.

Mr Norvik feared that a decline in Soviet production of oil and gas would also slow down the process of curbing the serious pollution problems in the east European countries, a process which requires that these countries switch from the use of coal to greater dependence on natural gas.

WORLD COMMODITIES PRICES

(Prices supplied by Amalgamated Metal Trading)

Commodity	Unit	Price
Aluminium, 99.7% purity (5 per tonne)	£/tonne	1,554.5
Cash		1,554.5
3 months		1,554.5
Copper, Grade A (5 per tonne)	£/tonne	1,554.5
Cash		1,554.5
3 months		1,554.5

Commodity	Unit	Price
Lead (5 per tonne)	£/tonne	1,554.5
Cash		1,554.5
3 months		1,554.5
Nickel (5 per tonne)	£/tonne	1,554.5
Cash		1,554.5
3 months		1,554.5

Commodity	Unit	Price
Th (5 per tonne)	£/tonne	1,554.5
Cash		1,554.5
3 months		1,554.5
Zinc, Special High Grade (5 per tonne)	£/tonne	1,554.5
Cash		1,554.5
3 months		1,554.5

Commodity	Unit	Price
Crude oil, 15° API (5 per tonne)	£/tonne	1,554.5
Cash		1,554.5
3 months		1,554.5
6 months		1,554.5
9 months		1,554.5

Commodity	Unit	Price
Crude oil, 15° API (5 per tonne)	£/tonne	1,554.5
Cash		1,554.5
3 months		1,554.5
6 months		1,554.5
9 months		1,554.5

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Cash		1,554.5
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9 months		1,554.5

Commodity	Unit	Price
Crude oil, 15° API (5 per tonne)	£/tonne	1,554.5
Cash		1,554.5
3 months		1,554.5
6 months		1,554.5
9 months		1,554.5

(Prices supplied by N.M. Rothschild)

Commodity	Unit	Price
Aluminium, 99.7% purity (5 per tonne)	£/tonne	1,554.5
Cash		1,554.5
3 months		1,554.5
Copper, Grade A (5 per tonne)	£/tonne	1,554.5
Cash		1,554.5
3 months		1,554.5

Commodity	Unit	Price
Lead (5 per tonne)	£/tonne	1,554.5
Cash		1,554.5
3 months		1,554.5
Nickel (5 per tonne)	£/tonne	1,554.5
Cash		1,554.5
3 months		1,554.5

Commodity	Unit	Price
Th (5 per tonne)	£/tonne	1,554.5
Cash		1,554.5
3 months		1,554.5
Zinc, Special High Grade (5 per tonne)	£/tonne	1,554.5
Cash		1,554.5
3 months		1,554.5

Commodity	Unit	Price
Crude oil, 15° API (5 per tonne)	£/tonne	1,554.5
Cash		1,554.5
3 months		1,554.5
6 months		1,554.5
9 months		1,554.5

Commodity	Unit	Price
Crude oil, 15° API (5 per tonne)	£/tonne	1,554.5
Cash		1,554.5
3 months		1,554.5
6 months		1,554.5
9 months		1,554.5

Commodity	Unit	Price
Crude oil, 15° API (5 per tonne)	£/tonne	1,554.5
Cash		1,554.5
3 months		1,554.5
6 months		1,554.5
9 months		1,554.5

Commodity	Unit	Price
Crude oil, 15° API (5 per tonne)	£/tonne	1,554.5
Cash		1,554.5
3 months		1,554.5
6 months		1,554.5
9 months		1,554.5

Commodity	Unit	Price
Crude oil, 15° API (5 per tonne)	£/tonne	1,554.5
Cash		1,554.5
3 months		1,554.5
6 months		1,554.5
9 months		1,554.5

Commodity	Unit	Price
Crude oil, 15° API (5 per tonne)	£/tonne	1,554.5
Cash		1,554.5
3 months		1,554.5
6 months		1,554.5
9 months		1,554.5

Commodity	Unit	Price
Crude oil, 15° API (5 per tonne)	£/tonne	1,554.5
Cash		1,554.5
3 months		1,554.5
6 months		1,554.5
9 months		1,554.5

Commodity	Unit	Price
Crude oil, 15° API (5 per tonne)	£/tonne	1,554.5
Cash		1,554.5
3 months		1,554.5
6 months		1,554.5
9 months		1,554.5

Commodity	Unit	Price
Crude oil, 15° API (5 per tonne)	£/tonne	1,554.5
Cash		1,554.5
3 months		1,554.5
6 months		1,554.5
9 months		1,554.5

Commodity	Unit	Price
Crude oil, 15° API (5 per tonne)	£/tonne	1,554.5
Cash		1,554.5
3 months		1,554.5
6 months		1,554.5
9 months		1,554.5

(Prices supplied by N.M. Rothschild)

Commodity	Unit	Price
Aluminium, 99.7% purity (5 per tonne)	£/tonne	1,554.5
Cash		1,554.5
3 months		1,554.5
Copper, Grade A (5 per tonne)	£/tonne	1,554.5
Cash		1,554.5
3 months		1,554.5

Commodity	Unit	Price
Lead (5 per tonne)	£/tonne	1,554.5
Cash		1,554.5
3 months		1,554.5
Nickel (5 per tonne)	£/tonne	1,554.5
Cash		1,554.5
3 months		1,554.5

Commodity	Unit	Price
Th (5 per tonne)	£/tonne	1,554.5
Cash		1,554.5
3 months		1,554.5
Zinc, Special High Grade (5 per tonne)	£/tonne	1,554.5
Cash		1,554.5
3 months		1,554.5

LONDON STOCK EXCHANGE

Shares easier after erratic session

CORPORATE developments provided the features yesterday in a London stock market which took its lead from the less aggressive performances in other world markets.

Another somewhat erratic trading day saw equities slipping lower to new lows, as Wall Street made an unexciting start to the new session. Heavy trading continued in the two electricity generating stocks launched on Tuesday, and dealers again expected that significant investment stakes were being built in both.

Oil shares suffered widespread falls as some UK analysts took a bearish view on the outlook for the sector following the agreement at the Opec meeting in Geneva on a 5 per cent cut in output. Saudi Arabia's indication that it

Account Dealing Dates	First Dealing	Second Dealing	Third Dealing
First Dealing	Mar 11	Mar 11	Mar 11
Second Dealing	Mar 11	Mar 11	Mar 11
Third Dealing	Mar 11	Mar 11	Mar 11

might raise output over the next few years appeared to threaten crude prices, and modest falls in BP and Shell yesterday were accompanied by sharper setbacks in the North Sea exploration companies, which are more immediately vulnerable to price considerations.

After moving up by 10.5 FT-SE points in early deals, the market turned off behind selective selling of oil stocks and a handful of other blue chip

internationals. Glaxo, the pharmaceutical leader which features in many global investment portfolios, continued to slide. British Airways Authority gave ground on continued concern over the outlook for airline traffic.

The market's early gain was reversed by mid-session and an attempted rally was checked by a weak start in New York, which was down by 11 Dow points in UK trading hours. At the close, the FT-SE index was 6.6 off at 2,482.

Equity strategists attached little significance to yesterday's equity performance, which appeared little more than a continuation of the pause for consolidation seen this week. Seaq volume of 830.6m against Tuesday's 827.8m implied some traders. "It did not feel like a very busy

day," was one comment. The two new power stocks remained in the spotlight, although their joint contribution fell to around 17 per cent of total market volume from the 44 per cent or so of the hectic first day of dealings. Yesterday's Seaq total also took in 47m shares of MAI, the media and financial services group, with the market convinced that American Insurance Group had placed its stake of around 7.3 per cent of the equity.

With the UK Budget now only three trading days away, institutional investors are inclined to hold back from implementing any new portfolio strategies. A further reduction in domestic interest rates is expected as part of a Budget package, but there is uncertainty as to whether it will

come on, before, or after Budget Day itself. Equity market analysts will be looking closely today at the latest data on domestic unemployment and average earnings for indications of the progress of both inflationary and recessionary pressures on the UK economy.

Meanwhile, overall confidence in further progress by the equity market appears to remain high. There was some satisfaction yesterday that trading results from BTR, the UK conglomerate, did not include a rights issue. Fund-raising moves have been relatively light in recent months and many analysts have warned that a flood of rights issues, although it might be welcomed by institutional investors, could restrain the market's progress.

FINANCIAL TIMES STOCK INDICES

	Mar 13	Mar 12	Mar 11	Mar 10	Mar 9	Mar 8	Mar 7	Mar 6	Mar 5	Mar 4	Mar 3	Mar 2	Mar 1	Feb 28	Feb 27	Feb 26	Feb 25	Feb 24	Feb 23	Feb 22	Feb 21	Feb 20	Feb 19	Feb 18	Feb 17	Feb 16	Feb 15	Feb 14	Feb 13	Feb 12	Feb 11	Feb 10	Feb 9	Feb 8	Feb 7	Feb 6	Feb 5	Feb 4	Feb 3	Feb 2	Feb 1	Jan 31	Jan 30	Jan 29	Jan 28	Jan 27	Jan 26	Jan 25	Jan 24	Jan 23	Jan 22	Jan 21	Jan 20	Jan 19	Jan 18	Jan 17	Jan 16	Jan 15	Jan 14	Jan 13	Jan 12	Jan 11	Jan 10	Jan 9	Jan 8	Jan 7	Jan 6	Jan 5	Jan 4	Jan 3	Jan 2	Jan 1	Dec 31	Dec 30	Dec 29	Dec 28	Dec 27	Dec 26	Dec 25	Dec 24	Dec 23	Dec 22	Dec 21	Dec 20	Dec 19	Dec 18	Dec 17	Dec 16	Dec 15	Dec 14	Dec 13	Dec 12	Dec 11	Dec 10	Dec 9	Dec 8	Dec 7	Dec 6	Dec 5	Dec 4	Dec 3	Dec 2	Dec 1	Nov 30	Nov 29	Nov 28	Nov 27	Nov 26	Nov 25	Nov 24	Nov 23	Nov 22	Nov 21	Nov 20	Nov 19	Nov 18	Nov 17	Nov 16	Nov 15	Nov 14	Nov 13	Nov 12	Nov 11	Nov 10	Nov 9	Nov 8	Nov 7	Nov 6	Nov 5	Nov 4	Nov 3	Nov 2	Nov 1	Oct 31	Oct 30	Oct 29	Oct 28	Oct 27	Oct 26	Oct 25	Oct 24	Oct 23	Oct 22	Oct 21	Oct 20	Oct 19	Oct 18	Oct 17	Oct 16	Oct 15	Oct 14	Oct 13	Oct 12	Oct 11	Oct 10	Oct 9	Oct 8	Oct 7	Oct 6	Oct 5	Oct 4	Oct 3	Oct 2	Oct 1	Sep 30	Sep 29	Sep 28	Sep 27	Sep 26	Sep 25	Sep 24	Sep 23	Sep 22	Sep 21	Sep 20	Sep 19	Sep 18	Sep 17	Sep 16	Sep 15	Sep 14	Sep 13	Sep 12	Sep 11	Sep 10	Sep 9	Sep 8	Sep 7	Sep 6	Sep 5	Sep 4	Sep 3	Sep 2	Sep 1	Aug 31	Aug 30	Aug 29	Aug 28	Aug 27	Aug 26	Aug 25	Aug 24	Aug 23	Aug 22	Aug 21	Aug 20	Aug 19	Aug 18	Aug 17	Aug 16	Aug 15	Aug 14	Aug 13	Aug 12	Aug 11	Aug 10	Aug 9	Aug 8	Aug 7	Aug 6	Aug 5	Aug 4	Aug 3	Aug 2	Aug 1	Jul 31	Jul 30	Jul 29	Jul 28	Jul 27	Jul 26	Jul 25	Jul 24	Jul 23	Jul 22	Jul 21	Jul 20	Jul 19	Jul 18	Jul 17	Jul 16	Jul 15	Jul 14	Jul 13	Jul 12	Jul 11	Jul 10	Jul 9	Jul 8	Jul 7	Jul 6	Jul 5	Jul 4	Jul 3	Jul 2	Jul 1	Jun 30	Jun 29	Jun 28	Jun 27	Jun 26	Jun 25	Jun 24	Jun 23	Jun 22	Jun 21	Jun 20	Jun 19	Jun 18	Jun 17	Jun 16	Jun 15	Jun 14	Jun 13	Jun 12	Jun 11	Jun 10	Jun 9	Jun 8	Jun 7	Jun 6	Jun 5	Jun 4	Jun 3	Jun 2	Jun 1	May 31	May 30	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 19	May 18	May 17	May 16	May 15	May 14	May 13	May 12	May 11	May 10	May 9	May 8	May 7	May 6	May 5	May 4	May 3	May 2	May 1	Apr 30	Apr 29	Apr 28	Apr 27	Apr 26	Apr 25	Apr 24	Apr 23	Apr 22	Apr 21	Apr 20	Apr 19	Apr 18	Apr 17	Apr 16	Apr 15	Apr 14	Apr 13	Apr 12	Apr 11	Apr 10	Apr 9	Apr 8	Apr 7	Apr 6	Apr 5	Apr 4	Apr 3	Apr 2	Apr 1	Mar 31	Mar 30	Mar 29	Mar 28	Mar 27	Mar 26	Mar 25	Mar 24	Mar 23	Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14	Mar 13	Mar 12	Mar 11	Mar 10	Mar 9	Mar 8	Mar 7	Mar 6	Mar 5	Mar 4	Mar 3	Mar 2	Mar 1	Feb 28	Feb 27	Feb 26	Feb 25	Feb 24	Feb 23	Feb 22	Feb 21	Feb 20	Feb 19	Feb 18	Feb 17	Feb 16	Feb 15	Feb 14	Feb 13	Feb 12	Feb 11	Feb 10	Feb 9	Feb 8	Feb 7	Feb 6	Feb 5	Feb 4	Feb 3	Feb 2	Feb 1	Jan 31	Jan 30	Jan 29	Jan 28	Jan 27	Jan 26	Jan 25	Jan 24	Jan 23	Jan 22	Jan 21	Jan 20	Jan 19	Jan 18	Jan 17	Jan 16	Jan 15	Jan 14	Jan 13	Jan 12	Jan 11	Jan 10	Jan 9	Jan 8	Jan 7	Jan 6	Jan 5	Jan 4	Jan 3	Jan 2	Jan 1	Dec 31	Dec 30	Dec 29	Dec 28	Dec 27	Dec 26	Dec 25	Dec 24	Dec 23	Dec 22	Dec 21	Dec 20	Dec 19	Dec 18	Dec 17	Dec 16	Dec 15	Dec 14	Dec 13	Dec 12	Dec 11	Dec 10	Dec 9	Dec 8	Dec 7	Dec 6	Dec 5	Dec 4	Dec 3	Dec 2	Dec 1	Nov 30	Nov 29	Nov 28	Nov 27	Nov 26	Nov 25	Nov 24	Nov 23	Nov 22	Nov 21	Nov 20	Nov 19	Nov 18	Nov 17	Nov 16	Nov 15	Nov 14	Nov 13	Nov 12	Nov 11	Nov 10	Nov 9	Nov 8	Nov 7	Nov 6	Nov 5	Nov 4	Nov 3	Nov 2	Nov 1	Oct 31	Oct 30	Oct 29	Oct 28	Oct 27	Oct 26	Oct 25	Oct 24	Oct 23	Oct 22	Oct 21	Oct 20	Oct 19	Oct 18	Oct 17	Oct 16	Oct 15	Oct 14	Oct 13	Oct 12	Oct 11	Oct 10	Oct 9	Oct 8	Oct 7	Oct 6	Oct 5	Oct 4	Oct 3	Oct 2	Oct 1	Sep 30	Sep 29	Sep 28	Sep 27	Sep 26	Sep 25	Sep 24	Sep 23	Sep 22	Sep 21	Sep 20	Sep 19	Sep 18	Sep 17	Sep 16	Sep 15	Sep 14	Sep 13	Sep 12	Sep 11	Sep 10	Sep 9	Sep 8	Sep 7	Sep 6	Sep 5	Sep 4	Sep 3	Sep 2	Sep 1	Aug 31	Aug 30	Aug 29	Aug 28	Aug 27	Aug 26	Aug 25	Aug 24	Aug 23	Aug 22	Aug 21	Aug 20	Aug 19	Aug 18	Aug 17	Aug 16	Aug 15	Aug 14	Aug 13	Aug 12	Aug 11	Aug 10	Aug 9	Aug 8	Aug 7	Aug 6	Aug 5	Aug 4	Aug 3	Aug 2	Aug 1	Jul 31	Jul 30	Jul 29	Jul 28	Jul 27	Jul 26	Jul 25	Jul 24	Jul 23	Jul 22	Jul 21	Jul 20	Jul 19	Jul 18	Jul 17	Jul 16	Jul 15	Jul 14	Jul 13	Jul 12	Jul 11	Jul 10	Jul 9	Jul 8	Jul 7	Jul 6	Jul 5	Jul 4	Jul 3	Jul 2	Jul 1	Jun 30	Jun 29	Jun 28	Jun 27	Jun 26	Jun 25	Jun 24	Jun 23	Jun 22	Jun 21	Jun 20	Jun 19	Jun 18	Jun 17	Jun 16	Jun 15	Jun 14	Jun 13	Jun 12	Jun 11	Jun 10	Jun 9	Jun 8	Jun 7	Jun 6	Jun 5	Jun 4	Jun 3	Jun 2	Jun 1	May 31	May 30	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 19	May 18	May 17	May 16	May 15	May 14	May 13	May 12	May 11	May 10	May 9	May 8	May 7	May 6	May 5	May 4	May 3	May 2	May 1	Apr 30	Apr 29	Apr 28	Apr 27	Apr 26	Apr 25	Apr 24	Apr 23	Apr 22	Apr 21	Apr 20	Apr 19	Apr 18	Apr 17	Apr 16	Apr 15	Apr 14	Apr 13	Apr 12	Apr 11	Apr 10	Apr 9	Apr 8	Apr 7	Apr 6	Apr 5	Apr 4	Apr 3	Apr 2	Apr 1	Mar 31	Mar 30	Mar 29	Mar 28	Mar 27	Mar 26	Mar 25	Mar 24	Mar 23	Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14	Mar 13	Mar 12	Mar 11	Mar 10	Mar 9	Mar 8	Mar 7	Mar 6	Mar 5	Mar 4	Mar 3	Mar 2	Mar 1	Feb 28	Feb 27	Feb 26	Feb 25	Feb 24	Feb 23	Feb 22	Feb 21	Feb 20	Feb 19	Feb 18	Feb 17	Feb 16	Feb 15	Feb 14	Feb 13	Feb 12	Feb 11	Feb 10	Feb 9	Feb 8	Feb 7	Feb 6	Feb 5	Feb 4	Feb 3	Feb 2	Feb 1	Jan 31	Jan 30	Jan 29	Jan 28	Jan 27	Jan 26	Jan 25	Jan 24	Jan 23	Jan 22	Jan 21	Jan 20	Jan 19	Jan 18	Jan 17	Jan 16	Jan 15	Jan 14	Jan 13	Jan 12	Jan 11	Jan 10	Jan 9	Jan 8	Jan 7	Jan 6	Jan 5	Jan 4	Jan 3	Jan 2	Jan 1	Dec 31	Dec 30	Dec 29	Dec 28	Dec 27	Dec 26	Dec 25	Dec 24	Dec 23	Dec 22	Dec 21	Dec 20	Dec 19	Dec 18	Dec 17	Dec 16	Dec 15	Dec 14	Dec 13	Dec 12	Dec 11	Dec 10	Dec 9	Dec 8	Dec 7	Dec 6	Dec 5	Dec 4	Dec 3	Dec 2	Dec 1	Nov 30	Nov 29	Nov 28	Nov 27	Nov 26	Nov 25	Nov 24	Nov 23	Nov 22	Nov 21	Nov 20	Nov 19	Nov 18	Nov 17	Nov 16	Nov 15	Nov 14	Nov 13	Nov 12	Nov 11	Nov 10	Nov 9	Nov 8	Nov 7	Nov 6	Nov 5	Nov 4	Nov 3	Nov 2	Nov 1	Oct 31	Oct 30	Oct 29	Oct 28	Oct 27	Oct 26	Oct 25	Oct 24	Oct 23	Oct 22	Oct 21	Oct 20	Oct 19	Oct 18	Oct 17	Oct 16	Oct 15	Oct 14	Oct 13	Oct 12	Oct 11	Oct 10	Oct 9	Oct 8	Oct 7	Oct 6	Oct 5	Oct 4	Oct 3	Oct 2	Oct 1	Sep 30	Sep 29	Sep 28	Sep 27	Sep 26	Sep 25	Sep 24	Sep 23	Sep 22	Sep 21	Sep 20	Sep 19	Sep 18	Sep 17	Sep 16	Sep 15	Sep 14	Sep 13	Sep 12	Sep 11	Sep 10	Sep 9	Sep 8	Sep 7	Sep 6	Sep 5	Sep 4	Sep 3	Sep 2	Sep 1	Aug 31	Aug 30	Aug 29	Aug 28	Aug 27	Aug 26	Aug 25	Aug 24	Aug 23	Aug 22	Aug 21	Aug 20	Aug 19	Aug 18	Aug 17	Aug 16	Aug 15	Aug 14	Aug 13	Aug 12	Aug 11	Aug 10	Aug 9	Aug 8	Aug 7	Aug 6	Aug 5	Aug 4	Aug 3	Aug 2	Aug 1	Jul 31	Jul 30	Jul 29	Jul 28	Jul 27	Jul 26	Jul 25	Jul 24	Jul 23	Jul 22	Jul 21	Jul 20	Jul 19	Jul 18	Jul 17	Jul 16	Jul 15	Jul 14	Jul 13	Jul 12	Jul 11	Jul 10	Jul 9	Jul 8	Jul 7	Jul 6	Jul 5	Jul 4	Jul 3	Jul 2	Jul 1	Jun 30	Jun 29	Jun 28	Jun 27	Jun 26	Jun 25	Jun 24	Jun 23	Jun 22	Jun 21	Jun 20	Jun 19	Jun 18	Jun 17	Jun 16	Jun 15	Jun 14	Jun 13	Jun 12	Jun 11	Jun 10	Jun 9	Jun 8	Jun 7	Jun 6	Jun 5	Jun 4	Jun 3	Jun 2	Jun 1	May 31	May 30	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 19	May 18	May 17	May 16	May 15	May 14	May 13	May 12	May 11	May 10	May 9	May 8	May 7	May 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INDUSTRIALS (Misc.)—Contd.

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MOTORS, AIRCRAFT TRADES

1990/91	Stock	Price	Div	Yield	P/E
1131	Rolls Royce	102.5	1.0	0.97	10.5
1132	BAe	102.5	1.0	0.97	10.5
1133	BAe	102.5	1.0	0.97	10.5
1134	BAe	102.5	1.0	0.97	10.5
1135	BAe	102.5	1.0	0.97	10.5

Commercial Vehicles

1990/91	Stock	Price	Div	Yield	P/E
1136	BAe	102.5	1.0	0.97	10.5
1137	BAe	102.5	1.0	0.97	10.5
1138	BAe	102.5	1.0	0.97	10.5
1139	BAe	102.5	1.0	0.97	10.5
1140	BAe	102.5	1.0	0.97	10.5

Components

1990/91	Stock	Price	Div	Yield	P/E
1141	BAe	102.5	1.0	0.97	10.5
1142	BAe	102.5	1.0	0.97	10.5
1143	BAe	102.5	1.0	0.97	10.5
1144	BAe	102.5	1.0	0.97	10.5
1145	BAe	102.5	1.0	0.97	10.5

Garages and Distributors

1990/91	Stock	Price	Div	Yield	P/E
1146	BAe	102.5	1.0	0.97	10.5
1147	BAe	102.5	1.0	0.97	10.5
1148	BAe	102.5	1.0	0.97	10.5
1149	BAe	102.5	1.0	0.97	10.5
1150	BAe	102.5	1.0	0.97	10.5

NEWSPAPERS, PUBLISHERS

1990/91	Stock	Price	Div	Yield	P/E
1151	BAe	102.5	1.0	0.97	10.5
1152	BAe	102.5	1.0	0.97	10.5
1153	BAe	102.5	1.0	0.97	10.5
1154	BAe	102.5	1.0	0.97	10.5
1155	BAe	102.5	1.0	0.97	10.5

PAPER, PRINTING, ADVERTISING

1990/91	Stock	Price	Div	Yield	P/E
1156	BAe	102.5	1.0	0.97	10.5
1157	BAe	102.5	1.0	0.97	10.5
1158	BAe	102.5	1.0	0.97	10.5
1159	BAe	102.5	1.0	0.97	10.5
1160	BAe	102.5	1.0	0.97	10.5

SHOES AND LEATHER

1990/91	Stock	Price	Div	Yield	P/E
1161	BAe	102.5	1.0	0.97	10.5
1162	BAe	102.5	1.0	0.97	10.5
1163	BAe	102.5	1.0	0.97	10.5
1164	BAe	102.5	1.0	0.97	10.5
1165	BAe	102.5	1.0	0.97	10.5

TEXTILES

1990/91	Stock	Price	Div	Yield	P/E
1166	BAe	102.5	1.0	0.97	10.5
1167	BAe	102.5	1.0	0.97	10.5
1168	BAe	102.5	1.0	0.97	10.5
1169	BAe	102.5	1.0	0.97	10.5
1170	BAe	102.5	1.0	0.97	10.5

TOBACCO

1990/91	Stock	Price	Div	Yield	P/E
1171	BAe	102.5	1.0	0.97	10.5
1172	BAe	102.5	1.0	0.97	10.5
1173	BAe	102.5	1.0	0.97	10.5
1174	BAe	102.5	1.0	0.97	10.5
1175	BAe	102.5	1.0	0.97	10.5

TRANSPORT

1990/91	Stock	Price	Div	Yield	P/E
1176	BAe	102.5	1.0	0.97	10.5
1177	BAe	102.5	1.0	0.97	10.5
1178	BAe	102.5	1.0	0.97	10.5
1179	BAe	102.5	1.0	0.97	10.5
1180	BAe	102.5	1.0	0.97	10.5

PROPERTY

1990/91	Stock	Price	Div	Yield	P/E
1181	BAe	102.5	1.0	0.97	10.5
1182	BAe	102.5	1.0	0.97	10.5
1183	BAe	102.5	1.0	0.97	10.5
1184	BAe	102.5	1.0	0.97	10.5
1185	BAe	102.5	1.0	0.97	10.5

INVESTMENT TRUST

1990/91	Stock	Price	Div	Yield	P/E
1186	BAe	102.5	1.0	0.97	10.5
1187	BAe	102.5	1.0	0.97	10.5
1188	BAe	102.5	1.0	0.97	10.5
1189	BAe	102.5	1.0	0.97	10.5
1190	BAe	102.5	1.0	0.97	10.5

PROPERTY - Contd

1990/91	Stock	Price	Div	Yield	P/E
1191	BAe	102.5	1.0	0.97	10.5
1192	BAe	102.5	1.0	0.97	10.5
1193	BAe	102.5	1.0	0.97	10.5
1194	BAe	102.5	1.0	0.97	10.5
1195	BAe	102.5	1.0	0.97	10.5

INVESTMENT TRUST - Contd

1990/91	Stock	Price	Div	Yield	P/E
1196	BAe	102.5	1.0	0.97	10.5
1197	BAe	102.5	1.0	0.97	10.5
1198	BAe	102.5	1.0	0.97	10.5
1199	BAe	102.5	1.0	0.97	10.5
1200	BAe	102.5	1.0	0.97	10.5

INVESTMENT TRUST - Contd

1990/91	Stock	Price	Div	Yield	P/E
1201	BAe	102.5	1.0	0.97	10.5
1202	BAe	102.5	1.0	0.97	10.5
1203	BAe	102.5	1.0	0.97	10.5
1204	BAe	102.5	1.0	0.97	10.5
1205	BAe	102.5	1.0	0.97	10.5

FINANCE, LAND, ETC

1990/91	Stock	Price	Div	Yield	P/E
1206	BAe	102.5	1.0	0.97	10.5
1207	BAe	102.5	1.0	0.97	10.5
1208	BAe	102.5	1.0	0.97	10.5
1209	BAe	102.5	1.0	0.97	10.5
1210	BAe	102.5	1.0	0.97	10.5

PLANTATIONS

1990/91	Stock	Price	Div	Yield	P/E
1211	BAe	102.5	1.0	0.97	10.5
1212	BAe	102.5	1.0	0.97	10.5
1213	BAe	102.5	1.0	0.97	10.5
1214	BAe	102.5	1.0	0.97	10.5
1215	BAe	102.5	1.0	0.97	10.5

MINES - Contd

1990/91	Stock	Price	Div	Yield	P/E
1216	BAe	102.5	1.0	0.97	10.5
1217	BAe	102.5	1.0	0.97	10.5
1218	BAe	102.5	1.0	0.97	10.5
1219	BAe	102.5	1.0	0.97	10.5
1220	BAe	102.5	1.0	0.97	10.5

MISCELLANEOUS

1990/91	Stock	Price	Div	Yield	P/E
1221	BAe	102.5	1.0	0.97	10.5
1222	BAe	102.5	1.0	0.97	10.5
1223	BAe	102.5	1.0	0.97	10.5
1224	BAe	102.5	1.0	0.97	10.5
1225	BAe	102.5	1.0	0.97	10.5

NOTES

Stock Exchange listing classifications are indicated to the right of security names. A share refers to shares traded through SEAI. By at least two market makers and with a normal market size of 1000 or more shares. A share refers to shares traded through SEAI. By at least two market makers and with a normal market size of 1000 or more shares. A share refers to shares traded through SEAI. By at least two market makers and with a normal market size of 1000 or more shares.

Central Rand

1990/91	Stock	Price	Div	Yield	P/E
1226	BAe	102.5	1.0	0.97	10.5
1227	BAe	102.5	1.0	0.97	10.5
1228	BAe	102.5	1.0	0.97	10.5
1229	BAe	102.5	1.0	0.97	10.5
1230	BAe	102.5	1.0	0.97	10.5

Eastern Rand

1990/91	Stock	Price	Div	Yield	P/E
1231	BAe	102.5	1.0	0.97	10.5
1232	BAe	102.5	1.0	0.97	10.5
1233	BAe	102.5	1.0	0.97	10.5
1234	BAe	102.5	1.0	0.97	10.5
1235	BAe	102.5	1.0	0.97	10.5

Far West Rand

1990/91	Stock	Price	Div	Yield	P/E
1236	BAe	102.5	1.0	0.97	10.5
1237	BAe	102.5	1.0	0.97	10.5
1238	BAe	102.5	1.0	0.97	10.5
1239	BAe	102.5	1.0	0.97	10.5
1240	BAe	102.5	1.0	0.97	10.5

O.F.S.

1990/91	Stock	Price	Div	Yield	P/E
1241	BAe	102.5	1.0	0.97	10.5
1242	BAe	102.5	1.0	0.97	10.5
1243	BAe	102.5	1.0	0.97	10.5
1244	BAe	102.5	1.0	0.97	10.5
1245	BAe	102.5	1.0	0.97	10.5

Diamond and Platinum

1990/91	Stock	Price	Div	Yield	P/E
1246	BAe	102.5	1.0	0.97	10.5
1247	BAe	102.5	1.0	0.97	10.5
1248	BAe	102.5	1.0	0.97	10.5
1249	BAe	102.5	1.0	0.97	10.5
1250	BAe	102.5	1.0	0.97	10.5

Central African

1990/91	Stock	Price	Div	Yield	P/E
1251	BAe	102.5	1.0	0.97	10.5
1252	BAe	102.5	1.0	0.97	10.5
1253	BAe	102.5	1.0	0.97	10.5
1254	BAe	102.5	1.0	0.97	10.5
1255	BAe	102.5	1.0	0.97	10.5

Finances

1990/91	Stock	Price	Div	Yield	P/E
1256	BAe	102.5	1.0	0.97	10.5
1257	BAe	102.5	1.0	0.97	10.5
1258	BAe	102.5	1.0	0.97	10.5
1259	BAe	102.5	1.0	0.97	10.5
1260	BAe	102.5	1.0	0.97	10.5

WATER

1990/91	Stock	Price	Div	Yield	P/E
1261	BAe	102.5	1.0	0.97	10.5
1262	BAe	102.5	1.0	0.97	10.5
1263	BAe	102.5	1.0	0.97	10.5
1264	BAe	102.5	1.0	0.97	10.5
1265	BAe	102.5	1.0	0.97	10.5

REGIONAL & IRISH STOCKS

1990/91	Stock	Price	Div	Yield	P/E
1266	BAe	102.5	1.0	0.97	10.5
1267	BAe	102.5	1.0	0.97	10.5
1268	BAe	102.5	1.0	0.97	10.5
1269	BAe	102.5	1.0	0.97	10.5
1270	BAe	102.5	1.0	0.97	10.5

TRADITIONAL OPTIONS

135	87 Baitline GHI Sh. Min.	114	-2	
42	30 Baitline Gifford Tech. S	401		
101	75 Bankers' Inv.	108		2.78
176	105 Berry Starwood.	148	-2	1.5
851	63 British Assets.	831	-2	F40
123	0377 Do Am Cr Lr. 95. v	1230		06%
1262	9000 Do L 2005.	119		1.5
42	10 Brit. Emp. Sess. 10p	511		0.78
58	10000 W. Wapcom.	14		

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MARKET FUNDS

CROSSWORD

Key in 1:5A

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

٥٥٥ من الاموال

NASDAQ NATIONAL MARKET[illegible]

3:00 pm prices March 13

[illegible]

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

٥٥١ من الأهل

AMERICA

Greenspan comments help
Dow make modest gains

Wall Street

US EQUITIES broke out of their recent depression to post modest gains by midsession yesterday, writes Karen Zagar in New York.

At 2 pm, the Dow Jones Industrial Average was up 10.65 at 2,933.17 on an exceptional volume, although declining issues had a slight edge on those advancing. On Tuesday, the index fell 16.84 to 2,922.52.

Stocks were weak in early trading but turned higher after Mr Alan Greenspan, chairman of the Federal Reserve, said that there was room for interest rates to decline. But corporate news continued to dominate trading.

Goodyear Tire & Rubber, the last of the big tyre companies still under US ownership, said that it expected to report a first quarter loss after a pre-tax charge of \$65m for labour cuts. After a delayed opening, it eased 2 1/2 to \$22 1/2 by midday.

Reports that semiconductor sales rose sharply in February helped Motorola gain 1 1/4 to \$61 1/4. McDonald's was up 3/4 at \$34 1/4 after the fast-food chain said that domestic sales in February were stronger than expected; it also announced plans to introduce a low-fat hamburger.

General Dynamics soared 3/4 to \$27 1/4 after the stock

was upgraded by Goldman Sachs. Ford Motor climbed 3/4 to \$34 1/4 in spite of reporting disappointing US car sales figures for early March. Among the other big carmakers, Chrysler added 1/4 to \$14 1/4 and General Motors advanced 1/4 to \$39 1/4.

Blockbuster Entertainment was actively traded for a second day, rising 3/4 to \$12 1/4 after shedding 1 1/4 on Tuesday, when the company said that it expected first quarter earnings to increase by 10 and 20 per cent. Analysts had forecast earnings growth of about 40 per cent.

The secondary market turned higher yesterday morning after two sessions of steady losses, and at midsession the Nasdaq composite was up 3.08 at 464.48. Shares in Genetics Institute, which fell sharply after a court ruled against its patent for a drug to treat anaemia in kidney dialysis patients, partially recovered yesterday morning, adding 3/4 to \$29 1/4.

The company said it would ask for a rehearing of the recent ruling. Amgen, which benefited from the recent decision against Genetics Institute, rose 3/4 to \$120. Mentor climbed 1 1/4 to \$24 1/4 after Hambrecht & Quist repeated a buy recommendation on the stock. The company, which is vying with Colgate to market the first

injectable treatment for urinary incontinence, received a boost when Collagen said on Tuesday that the Food & Drug Administration had asked for more data on its product before proceeding with final approval. Shares in Collagen were unmoved at \$27 1/4.

Canada

THE DULL trend in Toronto stocks continued at midsession as the market stuck within a four-point range. The composite index eased 0.4 to 3,544.0. Declines led advances by 222 to 184 on volume of 13m shares.

Canada Packers fell 3/4 to C\$13 1/4. On Tuesday it said that fourth quarter earnings had risen to 23 cents a share from 22 cents. Alcan jumped 3/4 to C\$27 1/4 on volume of 299,000 shares.

Among active shares, Varsity Corp eased 15 cents to C\$2.95. Placer Dome slipped 3/4 to C\$17 and Laidlaw class B dropped 3/4 to C\$18.

SOUTH AFRICA

JOHANNESBURG drifted before news of the budget. De Beers fell another 76 cents to R72.50 after its poor results. The all-share index slipped 8 to 2,884. The industrials index eased 3 to 3,261 and the all-gold index firmed 4 to 1,068.

Emerging markets enjoy revival of interest

Jacqueline Moore explains the sharp rises of up to 41 per cent recorded last month

FEBRUARY was a good time for emerging stock markets. Only one of the price indices compiled by the International Finance Corporation, an arm of the World Bank, fell during the month - and that was Venezuela's, which the market's consolidation after its world-beating performance in 1990.

In the five weeks from January 25, there were gains in dollar terms of 41 per cent in Brazil, more than 30 per cent in Argentina, the Philippines and Greece; and 20 per cent or more in Thailand, Chile and India. These gains compare with a rise of 12.5 per cent in the FT-Actuaries World Index over the same period.

Buying interest was triggered by rises in the more developed markets, say analysts, as investors anticipated the conclusion of the Gulf war at the end of the month. Foreign interest revived and volumes grew.

Latin America again provided much of the excitement. The surge in Brazil, however, was caused not so much by growing confidence in the market, as by falling interest rates, which prompted local people to put their cash into stocks or gold, says one analyst. Brazil's

local market index jumped 35 per cent on February 4 alone as investors switched out of bank deposits.

Advances elsewhere in Latin America were more firmly based on economic prospects. Argentina, January's worst performer after a collapse in the austral, rebounded on a wave of enthusiasm for Mr Domingo Cavallo, the new economy minister, who took office early last month. His success in keeping the austral within a stable band of 8,000 against the dollar encouraged investors, says Mr Mark Smith of Bear Stearns.

In Chile, the boost came from good inflation figures for January and February, which enabled interest rates to fall. Activity by foreign investment funds also provided a boost.

Foreigners, especially from the US, were also partly behind the rise in the Philippines, says Mr David Davis of Asia Equity (UK). Confidence was lifted by last month's news of the approval of fresh loans from the International Monetary Fund, and by falling interest rates and oil prices, he says. The government's stability also gave encouragement.

Political upheaval, however, did not produce stock market

IFC EMERGING MARKETS PRICE INDICES						
Market	No. of stocks	Mar 1 1991	% Change over 5 weeks on Dec '90 (Dollar terms)	Mar 1 1991	% Change over 5 weeks on Dec '90 (Local currency terms)	% Change over 5 weeks on Dec '90 (Dollar terms)
Latin America						
Argentina	(29)	307.98	+37.3	17,236,234	+98.1	+109.8
Brazil	(57)	73.80	+41.0	4,903,948	+58.5	+148.6
Chile	(35)	1,069.16	+22.4	2,840.35	+22.6	+43.3
Colombia	(20)	285.63	+7.8	1,450.22	+7.1	+4.9
Mexico	(58)	757.14	+7.5	11,623.73	+9.1	+15.9
Venezuela	(16)	547.35	-3.5	3,861.79	+0.03	-
East Asia						
Korea	(77)	328.89	+6.5	285.16	+6.5	-2.8
Philippines	(80)	1,153.79	+37.2	1,598.21	+37.2	+33.0
Taiwan, China	(70)	645.25	+18.3	436.40	+16.6	+0.4
South Asia						
India	(60)	256.39	+19.6	363.74	+24.3	+13.8
Indonesia	(68)	80.58	+2.3	95.08	+2.3	-7.2
Malaysia	(82)	138.55	+10.4	155.43	+14.7	+10.7
Thailand	(43)	378.24	+25.4	351.25	+24.9	+29.0
Europe/Middle East						
Greece	(32)	667.37	+31.9	687.02	+37.5	+35.4
Jordan	(25)	92.06	+8.2	162.89	+8.2	+6.4
Portugal	(30)	538.26	+16.0	448.79	+15.8	+15.7
Turkey	(25)	188.43	+5.0	820.08	+16.9	+17.4

Source: International Finance Corporation. Base date Dec 31, 1990. Data 1990-1991, 1991-1992, 1992-1993, 1993-1994, 1994-1995, 1995-1996, 1996-1997, 1997-1998, 1998-1999, 1999-2000, 2000-2001, 2001-2002, 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013, 2013-2014, 2014-2015, 2015-2016, 2016-2017, 2017-2018, 2018-2019, 2019-2020, 2020-2021, 2021-2022, 2022-2023, 2023-2024, 2024-2025, 2025-2026, 2026-2027, 2027-2028, 2028-2029, 2029-2030, 2030-2031, 2031-2032, 2032-2033, 2033-2034, 2034-2035, 2035-2036, 2036-2037, 2037-2038, 2038-2039, 2039-2040, 2040-2041, 2041-2042, 2042-2043, 2043-2044, 2044-2045, 2045-2046, 2046-2047, 2047-2048, 2048-2049, 2049-2050, 2050-2051, 2051-2052, 2052-2053, 2053-2054, 2054-2055, 2055-2056, 2056-2057, 2057-2058, 2058-2059, 2059-2060, 2060-2061, 2061-2062, 2062-2063, 2063-2064, 2064-2065, 2065-2066, 2066-2067, 2067-2068, 2068-2069, 2069-2070, 2070-2071, 2071-2072, 2072-2073, 2073-2074, 2074-2075, 2075-2076, 2076-2077, 2077-2078, 2078-2079, 2079-2080, 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